

Millions of U.S. Children Called Potential Failures In School and in Society

By Barbara Vobejda
Washington Post Service
WASHINGTON — As many as a third of the 40 million school-age children in the United States are at serious risk of failing in school and society, creating "massive, urgent problems" for the nation, leaders of 11 education organizations have warned.

Their coalition, the Forum of Educational Organization Leaders, represents the views of teachers, school administrators, superintendents, school boards and principals.

"The coalition warned that this potentially huge number of unproductive citizens — many of them handicapped by drug problems, poverty and their own criminal behavior — will drain the economy through welfare and social service costs and seriously hamper the nation's ability to compete internationally."

On Monday, the group called for federal and state governments to guarantee "an array of necessary educational services" designed to help such youngsters graduate from high school.

Suggestions included pre-kindergarten classes, programs to improve parents' involvement in children's education, assigning mentors to students who have repeatedly failed in school, and giving high school graduates who meet certain standards a chance at a job or college.

The educators said that a growing body of evidence has prompted them to put the issue of these failing youngsters to the top of the national agenda.

"The American people have not accepted this as a major concern," said Mary Hatwood Futrell, president of the National Education Association, which represents teachers. "Until it becomes a national priority, we'll plod along as we are today."

The educators pointed to a "radical change" in the nature of students, citing these statistics:

- Nearly one-fourth of the nation's children live below poverty level.
- Almost 60 percent of 4-year-olds will live in a single-parent household before they are 18.
- The rate of births to U.S. teen-

- Nearly 40 percent of public school students are minorities.
- Delinquency rates among children age 10 to 17 have increased 130 percent since 1960.
- Drug use by teen-agers is the highest for any industrialized nation.

The coalition also cautioned that the current education-reform movement may be contributing to the problem by raising standards without providing extra help for students, thus encouraging more youngsters to leave school before graduation.



Pierre S. du Pont 4th

Du Pont's Controversial Ideas Are Drawing Attention

By E.J. Dionne Jr.
New York Times Service

DES MOINES, Iowa — Quietly but persistently, serious Republicans are asking this question: Is Pierre S. du Pont 4th on the way to becoming a serious contender for the Republican nomination for president?

On the face of it, that status would seem a long way off. Mr. du Pont still hovers at about 1 percent in polls of Republicans, both nationally and in Iowa.

Until Mr. du Pont announced his candidacy last year, almost no one thought of him as a potential president.

But if there was unanimity on anything at this past weekend's Midwestern Republican Leadership Conference in Des Moines, it was that Mr. du Pont was the Republican presidential candidate who did himself the most good.

"He has a lot of very realistic ideas," said Paula Danke, a party leader from Lincoln, Nebraska. "He was very impressive."

Arliss Brown, also of Lincoln, was impressed as well. Her only doubt was the main plague of the du Pont candidacy: "People don't think he can win it," she said.

But one impressive weekend at one Republican "cattle show," as politicians call the joint appearances of presidential candidates, does not a candidacy make. And some of the ideas that Mr. du Pont uses to get attention may be, in the end, the undoing of his candidacy.

But for the moment, Mr. du Pont, 52, is enjoying the attention.

He has built his candidacy on these proposals:

- He would gradually end all farm subsidies over five years. Mr. du Pont argues that farming should

be part of the free market like most other economic activities.

• He urges the scrapping of Aid to Families With Dependent Children and other welfare programs, replacing them with compulsory work at 80 percent of the minimum wage. "If you don't work," he says, "nearly always to applause, 'you don't get a check.'"

• He would make Social Security payments partly voluntary by allowing participants to place their contributions for an entire year in an Individual Retirement Account. For each year a taxpayer dropped out of the program, his or her ultimate Social Security payment would be cut by 1-40th.

• There should be mandatory drug testing for high school students.

• Every American would be eligible for loans for education or retraining. The government would

guarantee the loans. The program would apply as much to students as to displaced workers. "People should be empowered to invest in themselves," he says.

What ties these ideas together is Mr. du Pont's modified libertarian philosophy, a view that individuals should make their own choices and be held responsible for them.

Representative Jack F. Kemp of New York, another Republican presidential candidate, argues that a politician who would tamper with Social Security "is a candidate for a frontal lobotomy." Mr. du Pont says he is "surprised at Jack for defending the status quo."

In debating Mr. du Pont, former Governor Bruce E. Babbitt of Arizona, a Democratic presidential candidate, said some of Mr. du Pont's proposals put him "to the right of Jesse Helms."



FIRE'S AFTERMATH — Two residents of Pebble Beach, California, surveying the ruins of their house, which was destroyed with 32 others in a fire that raged across 140 acres of a wealthy residential area. More than 200 people were forced to flee, and damage was estimated at \$18 million. The blaze was believed to have been started by a campfire left by partying youths.

AMERICAN TOPICS

Problems of Cities Are Getting Worse

As race riots erupted in American cities in the long, hot summer of 1967, national leaders gathered in Washington to find ways to deal with the violence and its causes.

Late last month the organization that emerged from that crisis, the National Urban Coalition, convened again in Washington and agreed that few of the problems that drew the group together 20 years ago have been solved.

"Homelessness afflicts many thousands more people today than it did two decades ago," said Carl Holman, a former journalist and college professor who has been the coalition's president since 1971. "Substance abuse was a problem in 1967; it is epidemic in 1987." He also listed "illiteracy, the health care crisis, the disappearance of low income housing."

"Would those 800 dignitaries who gathered in 1967," Mr. Holman mused, "have imagined that today we would seriously be speaking of a permanent underclass?"

Notes About People

Senator John Glenn, 65, Democrat of Ohio, says he may run again for president, but only if he

is able to pay off the \$2.1 million balance remaining from his 1984 campaign debt. "If we get that taken care of and behind us, obviously a decision would have to be made," he said, adding, in a reference to Gary Hart, "When Gary got out, it obviously opened things up tremendously."

Jimmy Carter, 62, and his wife Rosalynn, 59, are co-authors of a new book, "Everything to Gain: Making the Most of the Rest of Your Life" (Random House, \$16.95). "Our purpose," Mrs. Carter told U.S. News & World Report, "was to show people a few simple rules for living longer."

"She said of the former president's political future, 'I would like for Jimmy to run again, but he won't do it.' Mr. Carter said, 'Well, I couldn't get elected, to start with. And I've had my term, and I'm satisfied that the Democrats will put forward some big people in the next term. Besides, we have a good life now.'"

Short Takes

California has taken another big step toward cleaning up its smoggy air. The state, which has led the country in controlling automobile pollution, is promoting the use of methanol, a form of alcohol made from natural gas and coal, that is less polluting

than gasoline. One oil company agreed to sell methanol at 75 percent of its stations in California, and another is considering the idea. The state plans to subsidize bus and truck fleets that convert to methanol, which will sell for roughly the same price as gasoline.

Six young Soviet Jews will be allowed by their government to study for the rabbinate in the United States with the understanding that they will return to lead Soviet synagogues, according to Rabbi David B. Hollander of Brooklyn, New York. As head of a delegation of Orthodox rabbis who have returned from the Soviet Union, he called the arrangement a breakthrough unthinkable just a few years ago. But Rabbi Haskel Lookstein of Manhattan called the program a diversion from the "real issue" of increased emigration for Soviet Jews.

One reader has written The New York Times saying she has learned to put up with being put on hold when she makes telephone calls, and to endure receiving unsolicited advertising messages on the phone. What Leslie Chambliss was not prepared for was a recent call with a recorded message saying: "Hi. We have something exciting to sell you, but all our representatives are busy at the moment, so please hold the line for the next one available." Ms. Chambliss said what she is trying to hold now is her temper.

—ARTHUR HIGBEE

Aid Package For Maputo Is Uncertain

By David B. Ottaway
Washington Post Service

WASHINGTON — The Reagan administration appears to have rejected a Democratic proposal, endorsed by the Soviet Union, for a joint humanitarian relief operation in Mozambique, U.S. officials said. An estimated 4.5 million Mozambicans are suffering from food shortages.

The proposal, which would involve U.S. and Soviet coordination in distributing mostly U.S.-supplied grain in Mozambique, was presented to the Soviet leader, Mikhail S. Gorbachev, in April by two Texas Democrats, House Speaker Jim Wright and Representative Mickey Leland, the chairman of the House Select Committee on Hunger.

The United States was to provide grain and the Soviet Union was to provide planes, helicopters, trucks and ships, Mr. Wright said. "At each delivery point, there could be a Soviet and American person," he noted.

Mr. Gorbachev found the proposal "very interesting" and proposed further talks, Mr. Wright said. The speaker said he mentioned the proposal to Secretary of State George P. Shultz and his reaction was "not what I'd call an expression of wild enthusiasm, but he didn't say, 'Don't do that.'"

Mr. Wright said he met last month with Chester A. Crocker, assistant secretary of state for African affairs, and was told that the Reagan administration preferred working through United Nations disaster relief office in Maputo, the Mozambican capital.

Several U.S. officials said they believe it is highly unlikely that the Reagan administration will accept a partnership agreement with Moscow in Mozambique, where a Marxist government is battling a self-described anti-communist insurrection.

Rebels Attack Bases

Rightist Mozambican rebels said Tuesday they had attacked military bases inside Zimbabwe for the first time, Reuters reported from Lisbon.

Egypt Raises Sugar Price As Part of Pact With IMF

CAIRO — Egypt increased sugar prices on Tuesday by 8 percent as part of an agreement with the International Monetary Fund that provided Cairo with \$325 million in credits.

The cost of 2.2 pounds (one kilogram) of sugar rose to 65 piasters (30 cents) from 60 piasters. Government stores will continue to sell 2.2 pounds of subsidized sugar for 10 piasters to people with ration cards.

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Jordan and the PLO at one point supplying grants to builders. Unlike the rest of the West Bank, where military law applies, East ways of Men Shearim, an isolated compound that resembled a medi-

Stockholm to Bangkok. One-stop from Amsterdam, London, Paris and Zurich to Bangkok. Tomorrow: The Palestinians

Irish Ayes and Europe

Ireland, at last, has said aye to the European Community's harmless little amendment to the Treaty of Rome...

ing up the price of these products will reduce the cost of subsidizing the producers... External war is also rife. When Portugal and Spain joined the Community...

A Dream Come True

The first wonder in the tale of Mathias Rust was the picture of the little Cessna parked in front of the fantastical onion domes of St. Basil's Cathedral...

There was criticism, sure enough, but not from Westerners. It was from Soviet leaders. The Politburo sharply rebuked the military...

What Boland Is About

What, after all, is the Boland amendment? Mr. Reagan's critics insist that it is a law, by which they mean that it is a hard and fast, specific and comprehensive statute...

It may be useful to recall that this whole thing started as a policy argument and was being conducted, harshly but properly, in political channels by two sets of players...

Other Comment

The Flight to Red Square [Mikhail] Gorbachev, instead of forcing the early retirement of Defense Minister Sergei Sokolov, could have boasted that under his leadership the Soviet Union has nothing to hide from the world.

Rust to a welcoming reception. The world has a soft spot for political leaders with the inner freedom to laugh at themselves.

The Young Man Landed in Every Capital

By John E. Ullmann

NEW YORK — The flight of Mathias Rust's Cessna into Red Square is no occasion for finding comfort in the Soviet Union's discomfort. The young pilot sent a message to America about its defense system...

not expect an attack even though it was sailing in a war zone. Perhaps the Soviet air defense system was similarly relaxed. And why not? International tensions are at a low level.

alert, with orders to shoot more quickly, as in the case of American ships in the Gulf. In short, the Cessna and Stark affairs mean that trigger fingers will turn much more itchy...

From Biden, A Bit Too Much Fuzz

By David S. Broder

CAMBRIDGE, Massachusetts — Believe me, there was no coordination. But when Senator Joseph Biden came here the other day in his campaign for the Democratic presidential nomination...

China: Keeping the Door Open Has Had Its Costs

By Narendra Singh

SHANGHAI — Hong Kong is deceptive. It fosters the feeling that free enterprise suits the Chinese and will spread easily to the mainland. And in Beijing, the scores of Western businessmen revolving through the lobby doors of the new joint-venture Sheraton Hotel perpetuate the notion...

that it was liberalizing to make Communist China less obnoxious to Western peoples, especially businessmen. The core of the Deng plan is to build the nation's infrastructure, importing foreign skills, technology and some capital to do so.

and Beijing worries that if Western interest dries up, its modernization will depend on this former colonizer. On another front, the Chinese still believe that the United States has no choice but to improve relations with China to counter the Soviets.



Shanghai's Crowded Streets Augur Ill for the Nation

By Jay Mathews

SHANGHAI — It has been six years since I was here. Much has changed. Tourist port of call cruise ships now and disperse in 20-bus convoys. Here and there stand new office buildings and hotels that would look fine in a U.S. city...

now. They must poke along in the drastically narrowed streets. In one sense, this means the Chinese are doing very well. Our closest friends here, college-educated city workers my wife and I knew when we lived in China, now have refrigerators.

ceased. "Floating" populations of new city workers, not exactly legal, not exactly illegal, add to the midday crowds. Carl Haub of the Population Reference Bureau notes that the number of women of child-bearing age is about to jump significantly, pushing the birthrate even higher.

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Hong Kong: Britain Should Make Waves

BRITAIN has appointed what it hopes will be its last governor of Hong Kong. His job, as politically described, is to pave the way for the reintegration of the city-state into mainland China. But his behavior so far suggests that his job is to soften the jagged edges of those parts of the British legacy that irritate the Chinese.

1912: The Lighter News 1937: Aviation Feats

NEW YORK — A.W. Herzog, who comes from Austria, and is stopping at the Ritz-Carlton, was arrested for smoking in the subway. In court he was much perturbed by stock market reports and said he was losing \$1,000 a minute. He was fined \$3.

IN OUR PAGES, 75 AND 50 YEARS AGO

CARAPITO, Venezuela — Amelia Earhart arrived here [June 2] from San Juan, Puerto Rico, after a flight of six and a half hours. Miss Earhart had covered the first lap, from Miami to San Juan, of her round-the-world flight in seven and a half hours.

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OPINION

I, Yegor: The Hard-Liner In Gorbachev's Shadow

By William Safire

NEW YORK—I have to marvel at the good luck of Comrade Gorbachev. He needed to sweep aside the old caretaker at the head of the Red Army without giving power to a marshal like Nikolai Ogarkov or Sergei Akhromeyev, who might have asserted the army's traditional role in the Kremlin. Along came a German teen-ager who made fools of our military by landing his plane in Red

ideologists under old Mikhail Suslov, who came to power after the ouster of Nikita Khrushchev, when that "reformers" went too far in demeaning the Stalinists. As a result, I understand how to exploit the resentment of "reform."

ESSAY

Square, and Mr. Gorbachev had the excuse he needed to slip in a junior officer. As secretary of the party—the one the Western press likes to call the "number two man in the Soviet Union"—I, Yegor Kuzmich Ligachev, must now assess the meaning of this move to those of us who do not share the Gorbachev ardor in promoting perestroika, the reordering of the power elite. (Glasnost is merely a mode of play; perestroika is what the game is about.)

With the army neutralized, the KGB's domination of the party through Mr. Gorbachev is seemingly assured. But resistance to KGB rule is growing in the party, especially among those elements who fear the need to introduce market-commodity forces. These party men seek some ally of the Gorbachev clique who is more "conservative," more willing to slow the perestroika by appealing to oppose the speed of glasnost. That person, of course, is me.

However, young Comrade Gorbachev is no fool; he understands the need to turn on one's supporters before the opposition can enlist them. That is why I am his next target. I am too acceptable as his alternative—trusted by the Andropov KGB men, while not so distrusted by the old Brezhnev party apparat.

If I were Mikhail Sergeyevich, I would arrange for the transfer of Yegor Ligachev or any other potential rival to some remote electoral station. As a first step, he has saddled me with the agricultural portfolio, and seeks to replace me as ideological chief with his propaganda minion, Alexander Yakovlev.

But I am wise to that trick. My Siberian party roots were nurtured by the

stipend that the American or "star wars" just as he did on missiles in Europe; he will upset them by moving into the Gulf, and drive them crazy with a tour of Latin America. He is not giving a millimeter on Afghanistan or Cambodia. He has seduced the Third World's "Delhi Six." And he is splitting the NATO alliance by seeming to threaten the Warsaw alliance. All to the good.

It turns out that Anatoli Dobrynin was right: The American left is entranced with the Gorbachev style and will use the threat of me as a reason to urge Mr. Reagan to accommodate him. (That helps Russia without really helping Mr. Gorbachev, which is why I permit Western pundits to read my mind.)

Where Mikhail Sergeyevich and I differ, and the reason that one or the other of us will become a nonperson, is the ethnic subversion of Mother Russia. I hold that Russians must remain in charge lest our nation be pulled apart by corrupt and greedy separatists. Shall the Kazakh language replace Russian? Should the Ukraine, which welcomed the Nazis, celebrate Kiev as the fount of Soviet culture, rather than Moscow or Leningrad?

Mr. Gorbachev calls for "special sensitivity" toward these non-Russian republics, where half of our people live; he was all too willing to roust Siberian rivers, an expensive ethnic appeasement that I stopped. He has sponsored a Georgian, Eduard Shevardnadze, to the Politburo, and will not join our KGB effort to replace the Ukrainian Vladimir Shcherbitsky or the more vulnerable ethnic Azerbaijani, Getlar Allen.

Contention in the Kremlin

MANY Soviet people are angry, believing that Mikhail Gorbachev is undermining Soviet ideology more effectively than foreign propaganda could. Yegor Ligachev, the number two in the Kremlin, has openly challenged Mr. Gorbachev's position on history. The Gorbachev drive against Stalinism, it seems, can only increase Soviet polarization and exacerbate tensions in the Kremlin.

— Vladimir Shlapentokh, an emeritus professor of sociology at Michigan State University, in the Los Angeles Times.

The Fate of Deportees

Why is it that The Washington Post editorial writer has "misgivings" about the deportation of Karl Linas (JHT, May 7) and not a second thought about the political beliefs, ethnic backgrounds, or simply because they were in the wrong place at the wrong time. Those who flee such persecution are deported into the hands of the police in these countries every day with no fanfare and considerably less litigation than what Linas was afforded.

Upon their return, they may face execution—or death by torture. Perhaps it is time that the public and the press begin having misgivings about the definition of the Reagan administration uses for political refugees—misgivings, for that matter, about all of President Reagan's policies in Central America.

PETER HOPPMANN, Chengdu, China.

Atis Lejins's argument (Letters, May 19) against the lawful and overdue extradition of Karl Linas to Soviet Estonia, there to be tried for war crimes, was



LETTERS TO THE EDITOR

The Fate of Deportees

specious. Linas's crimes against the Soviet people (Estonians, Letts, Lithuanians and Jews included) has nothing to do with the alleged independence of the Baltic states. The most loyal Bolshevik cadres were the Latvian guards. And the fact is that Estonia was a Soviet state during the period in question, whether the United States and other Western nations chose to recognize it or not.

ed later to persuade the U.S. Congress to approve the Marshall Plan legislation and appropriations. This action, followed by the creation of the Cominform, was most fortunate, because anti-Soviet feeling was largely the basis for congressional approval.

ALFRED E. DAVIDSON, Paris.

Marshall and Molotov

In "Forty Years On, Another Fork in the Allies' Road" (May 23), James Reston was no doubt unintentionally misleading in stating that all European Communist governments were invited to participate in laying the groundwork for the Marshall Plan but that "all refused." In fact, Molotov led a large Soviet delegation to a Paris meeting, from which they later withdrew.

The Price of Knowledge

As a former American university professor, I would like to point out that Edward B. Fiske's report, "In U.S. Harsh Debate Over Why College Costs Rise So Rapidly" (May 13), omits two important factors contributing to the impossible costs of college education.

First, many universities maintain what are in reality professional athletic programs with huge budgets. The abuses of this system are well known.

Second, the majority of senior faculty members—particularly the so-called superstars, men and women who receive very high salaries by academic standards—may teach only two or three hours a week. Their time is devoted to attending conferences and giving papers, directing dissertations and doing research.

DONALD J. LEVIT, Larrabastera, Spain.

GENERAL NEWS

ISRAEL: The Barriers Are Gone but Jerusalem Remains Sharply Divided

(Continued from Page 1) we'll solve them over the next 200 to 300 years." The history of modern Jerusalem is to a great extent a story of neighborhoods, traffic arteries and land-use plans and the ways such planning tools can be used to serve political ends.

When the barriers came down 20 years ago, Jerusalem was a provincial backwater, stunted and disfigured by 19 years of physical separation after Israel gained independence in 1948 and fought Jordan to a draw.

As Jewish immigrants poured into the new state from Arab countries in the early 1950s, many were transplanted into grim, fortress-like apartment complexes along a no-man's-land. Many apartments had silted basins for marksmen, and the buildings were arranged in angular configurations designed to impede a tank assault.

These neighborhoods remain among Jerusalem's poorest. Their younger residents were the shock troops in the anti-Arab violence in November.

The residents of these neighborhoods, said Alan Freeman, a spokesman for the Jerusalem Foundation, "lived through all those years under a siege mentality and they still retain a siege mentality."

After the 1967 war, Israel decided to annex East Jerusalem and adjoining areas to send a signal to the world that it would never permit the city to be divided again. The idea, said the city architect, David Kroyanker, was to claim "maximum land and minimum Arabs, to put it bluntly."

Since then the city has tripled in land size and doubled in population to 475,000. There are 340,000 Jews and 135,000 Arabs, of whom 121,000 are Moslems.

Jerusalem operates under Israeli civil statutes. These statutes allow a range of political activities and civil liberties unknown during the days of Jordanian rule and rare in the Arab world.

There are trade unions, professional associations, five daily newspapers and at least two major weeklies, student organizations and a theater group. But the Palestinian press is scrutinized by the military censor far more closely than are Israeli or foreign reporters, and laws allowing six-month administrative detentions and other restrictions can be used against activists.

The result is a process of nation-building in East Jerusalem that res-

Israel's idea when it decided to annex East Jerusalem and adjoining areas was to claim 'maximum land and minimum Arabs, to put it bluntly.'

— David Kroyanker, city architect

Mr. Kollek contends that many Jewish donors to the foundation refuse to allow their money to be used for an Arab project. The clinic, they say, still needs about \$3 million.

Inequalities are likely to continue, city officials argue, as long as Arabs refuse to play a role in city politics.

For years Mr. Kollek has tried to cajole Arabs into running for city council. But such an action would constitute recognition of the legitimacy of Israel's rule, something no East Jerusalem Arab is prepared to do publicly.

identis say is an ironic fruit of the amelioration of their city.

"We've developed the emotion, the heart and a common sense of political identity that we did not have under the Jordanians," says Sari Nusseibeh, professor of Islamic philosophy at Bir Zeit University.

"We've built an infrastructure in which every aspect of life helps provide the basis for a future state."

As a result, many Palestinians insist that Mr. Kollek's efforts to make Arabs part of the polity of Jerusalem have not succeeded.

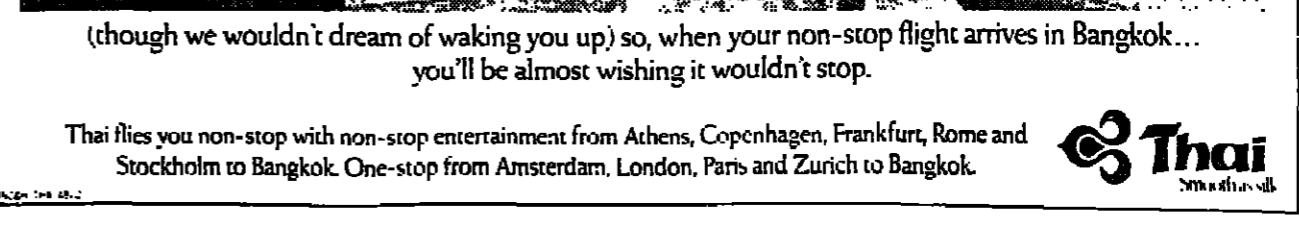
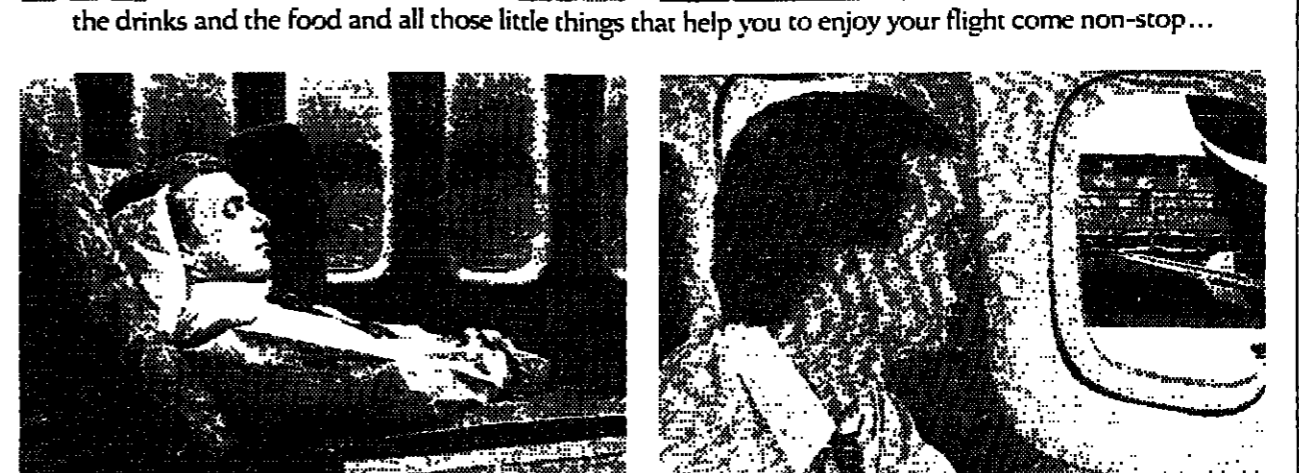
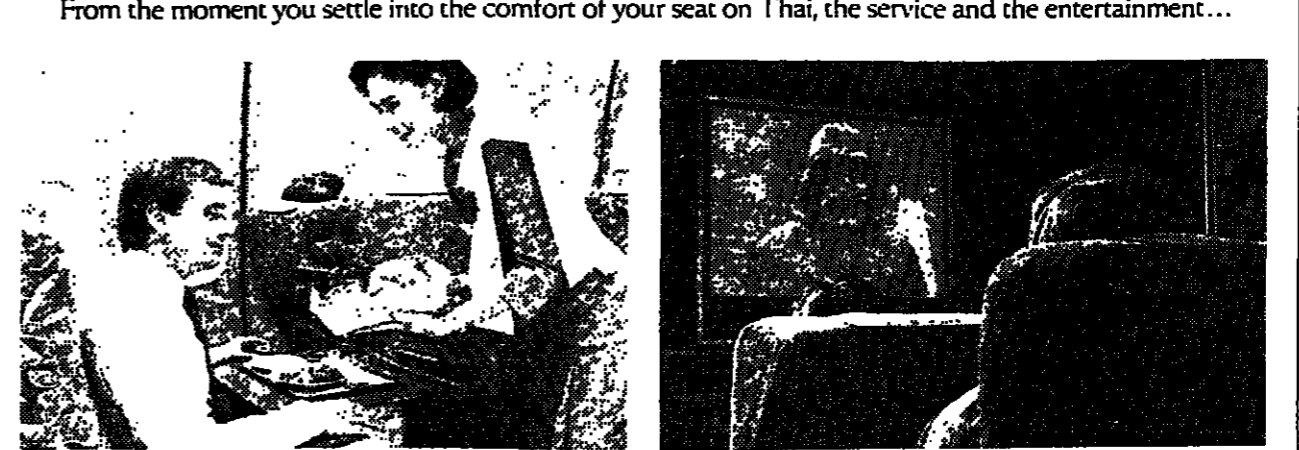
For me the invisible border still exists," said Daoud Kuttab, a Palestinian newspaper editor.

It has become a Saturday afternoon ritual. Young bearded men in black hats gather in the city center across the street from the Me and Me coffee shop, sing a few rocks toward its windows and run for cover from police.

The law says that Me and Me can operate on the Jewish Sabbath. But Jerusalem's ultraorthodox believe Judaism's holiest city should honor God's laws, and they have lobbied to close movie houses, restaurants, sporting events and anything else that, in their view, defies God's will.

For generations, the black-hatted haredim—the term means "those filled with awe"—lived confined to the narrow back alleys of Mea Shearim, an isolated compound that resembled a medi-

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Soviet May Hold Pilot For Months, Bonn Says

By The Associated Press
BONN — The Soviet Union may hold Mathias Rust in prison for months before deciding whether to charge him for his flight across Soviet airspace and landing in Red Square, a West German Foreign Ministry official said Tuesday.



Neil Kinnock, the Labour leader, with big wheels at a factory in Derby.

Britain as a Land of Photo Opportunities

Television Images, Candidate Packaging Are Focus of Election Campaign

By Howell Raines
LONDON — On a drowsy Sunday morning, one of the first great tourist hordes of the summer assembled outside Buckingham Palace for the changing of the guard.

States. "My impression is that someone, somewhere has been looking quite hard at how American presidential campaigns are run."
In a country that prides itself on putting policy ahead of personality, this contest is very much a struggle of television images and candidate packaging, and campaign technology itself has emerged as a major issue.

Cambodia Accused of Rights Abuses

By Michael Richardson
SINGAPORE — Amnesty International presented evidence Wednesday of hundreds of cases of detention and torture of political prisoners by the Vietnamese-backed government in Phnom Penh.

With a pack of cameramen and photographers trailing her, Prime Minister Margaret Thatcher strolled over from No. 10 Downing Street to feed the ducks and shake the hands of a few startled Japanese sightseers.
This capped a week in which she had posed with a German shepherd and a stuffed panda and visited a place where willow trees are grown for cricket bats.

AIDS: U.S. Allows Tests

(Continued from Page 1)
severe side effects. Several other drugs are being tested.

Retrovirus Is Discovered

Lawrence K. Altman of The New York Times reported from Washington:
The discovery of a virus that causes a disease in human beings resembling AIDS was reported Monday by Dr. Robert C. Gallo of the National Cancer Institute.



A policeman wore rubber gloves as he arrested a demonstrator outside the AIDS conference in Washington. Demonstrations calling for federal AIDS action, not conferences, were also held in Boston, Los Angeles and Chicago.

Dr. Luc Montagnier of the Pasteur Institute in Paris has identified a retrovirus among West Africans that he calls HIV-2 and that his team says causes disease.
Dr. Max Essex of the Harvard School of Public Health has found a new retrovirus in African green monkeys, and still another disease-causing retrovirus has been found in other monkey species.

Zimbabwe Gunmen Kill 2 West German Tourists

HARARE, Zimbabwe — Two West German tourists were killed by gunmen 40 miles (65 kilometers) from the southern city of Bulawayo, the police said.

There were political prisoners in Cambodia. He said that a number of "Pol Pot criminals" were in prison but were not mistreated.
Mr. Pol Pot was the leader of the Khmer Rouge when it was in power in Cambodia from 1975 to 1979. Hundreds of thousands of Cambodians died because of Khmer Rouge repression.

Kenyan Aide Shifted From Sensitive Post

NAIROBI — President Daniel arap Moi has announced a cabinet reshuffle, including the reassignment of Foreign Minister Elijah W. Mwangale to the Agriculture Ministry, officials said Tuesday.

Dr. Curran, describing a program to provide an accurate assessment of how many Americans are infected by the virus, said he accepted an estimate released a year ago by the Public Health Service that as many as 1.5 million people in the United States were infected.
Based on the health service's data, he said, one in 30 men between the ages of 20 and 50 are infected.

Errol Barrow, Barbados Leader, Dies

BRIDGETOWN, Barbados — Prime Minister Errol Barrow, 67, who led Barbados to independence in 1966, died Monday at his residence, the government announced.
The cause of death was not disclosed. Officials said that he had been told by Mr. Barrow's relatives that the prime minister had been in poor health for some time.

India, Israel, Austria and Denmark. He wrote plays, including "The Trials of Oscar Wilde," and directed English National Opera productions.
His "Oliver," a musical by Lionel Bart based on Charles Dickens' "Oliver Twist," ran for 2,618 performances after opening in 1960 at the New Theater in London.

Other deaths: Princess Fatemeh Pahlavi, 58, the half sister of Shah Mohammed Reza Pahlavi of Iran, has died in London, The Daily Telegraph reported Tuesday. The report did not give the cause or day of death.
Kenji Yasuda, 71, the Japanese ambassador to Ivory Coast from 1976 to 1981, Monday of a heart ailment in Kawasaki, Japan.

SRI LANKA: India Is Cautioned to Halt Relief Flotilla

(Continued from Page 1)
southeastern part of the island. Sri Lanka's dominant majority of ethnic Sinhalese are Buddhist.
The Tamils, who are Hindu, make up less than a fifth of the island's population of 15 million people.

President Junius R. Jayawardene defied appeals from Prime Minister Rajiv Gandhi of India that he stop a major offensive last week that proved successful against the Liberation Tigers of Tamil Eelam in a 20-square-mile (52-square-kilometer) section of the Jaffna Peninsula.
This defiance appears to have contributed to the current confrontation, with aides to Mr. Gandhi saying that the Indian leader's eyes were not only of India but also of the Tamils in general.

Officials of the Social Security Administration in Washington said Monday that they do not plan to expand the definition of persons who will automatically receive disability benefits because they have AIDS. The Washington Post reported.
The government's Centers for Disease Control issued a new and broader definition last month of what constitutes having AIDS.

GULF: Shultz Says More Aid From Allies Is Not Vital

(Continued from Page 1)
Mr. Shultz and Mr. Shevardnadze last met in April in Moscow.
Measures Not Adopted
The United States and Iraq have not adopted new procedures for identification and communication between ships and aircraft in the Gulf region, leaving vessels open to the same hazards that resulted in the attack on the Stark, according to a Reagan administration official. The Washington Post reported.

at the United Nations said Monday. The New York Times reported.
The draft resolution on ending the Iran-Iraq war, which has not been made public, is described as containing the harshest language on the subject since the Security Council since the conflict began nearly seven years ago.
But according to diplomats, in its current form it falls short of what Richard W. Murphy, assistant secretary of state for Near Eastern and South Asian affairs, said the Reagan administration wanted — a resolution "with teeth in it."

7 Injured in Explosions Of Fuel Tanks in Lyoa

LYON — Firefighters battled a field of blazing gasoline tanks that exploded into flames Tuesday, injuring seven persons, and leaving two others missing, officials said.
Two new explosions occurred more than five hours after the first began at the Shell Francaise yard on the Rhone River. The cause of the first blast was not known.

CONTRAS: Shultz Told Abrams to 'Monitor' North

(Continued from Page 1)
of the funds from the Swiss businessman.
The State Department official also acknowledged that he was wrong when he told the Senate Foreign Relations Committee in October 1986 that the Nicaraguan rebels had not received assistance from any foreign country.

Discussing Mr. Tambe's testimony last week about the inter-agency group known as RIG, Mr. Abrams said, "He doesn't know what he's talking about, and he never attended a RIG meeting."
Mr. Abrams said Mr. Tambe's job was to remain in contact with elements of the Nicaraguan rebels who were in Costa Rica, but not to get involved in guerrilla operations within Nicaragua.
It was in August or September 1985, Mr. Abrams said, that he first learned of the construction of a secret airstrip in northern Costa Rica using funds provided by "private benefactors."

BARBIE: Wiesel Testifies

(Continued from Page 1)
plies to the front even as the Allies advanced.

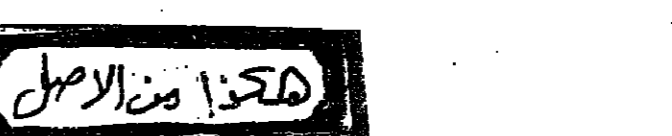
The extermination was often carried out by educated people, such as doctors and lawyers, with refined cultural tastes, he said.
"It was a murderous enterprise that worked to perfection," he said.
Two Jewish women, who between them lost five children at Auschwitz, spoke of their experiences and emotions after Mr. Wiesel. Their children were in a group of 44 deported to Germany from a children's home in the village of Izieu, near Lyon, in April 1944.

Austria to Return Ex-Nazi Guard Deported by U.S.

VIENNA — Interior Minister Karl Blecha said Tuesday that he would send Martin Bartsch, who was a Nazi concentration camp guard in Austria in 1943, back to the United States. The official said Austria could not become a dumping ground for war criminals.
Mr. Bartsch, 60, was arrested on Monday. He was deported on Thursday and his U.S. citizenship was revoked. According to the U.S. Justice Department, camp records list him as responsible for a shooting death at the camp in 1943.

PTL's Collection Passes \$7 Million

FORT MILL, South Carolina — The PTL ministry has survived what it called its "May emergency" with the collection of more than \$7 million in a fund drive that ended Sunday, ministry officials said.
The Reverend Jerry Falwell, speaking on the national "PTL Club" TV program on Monday, said that the final amount was likely to surpass the goal of \$10 million by the time all donations mailed before May 31 were in.



Sweden's New Realities

Economic Concerns ■ Quiet Diplomacy

IN THE NEWS

May 26: Two Swedes Charged in Arms Sale
Police charged a former director of Sweden's biggest ammunition maker...

May 15: U.S. Eases Technology Rules
Sweden is the first country outside NATO to be granted the same access to sensitive U.S. technology...

May 12: Palme Inquiry Finds Police Errors
The judicial official investigating the unsuccessful search for the killer of Prime Minister Olof Palme...

March 12: Ban Sought On South African Trade
The government proposes a ban on trade with South Africa and criticizes the United Nations for failing to impose mandatory international sanctions...

Jan. 30: Price Freeze Set To Head Off Labor Disputes
In an attempt to head off labor disputes, the government imposes a general price freeze on most goods and services...

IN THIS REPORT

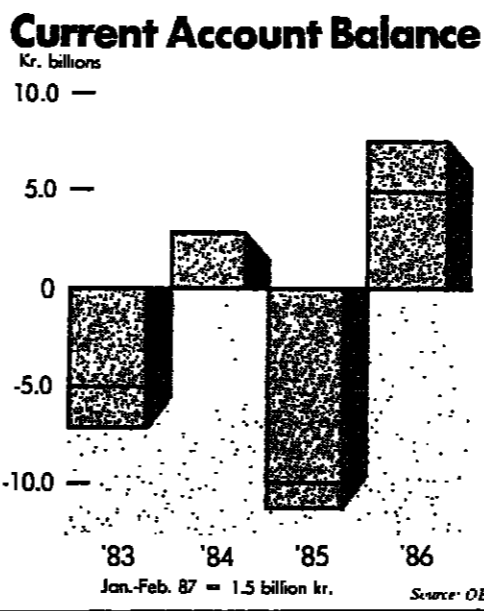
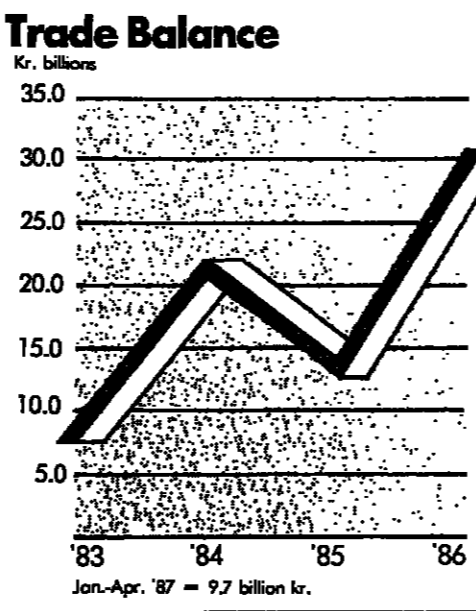
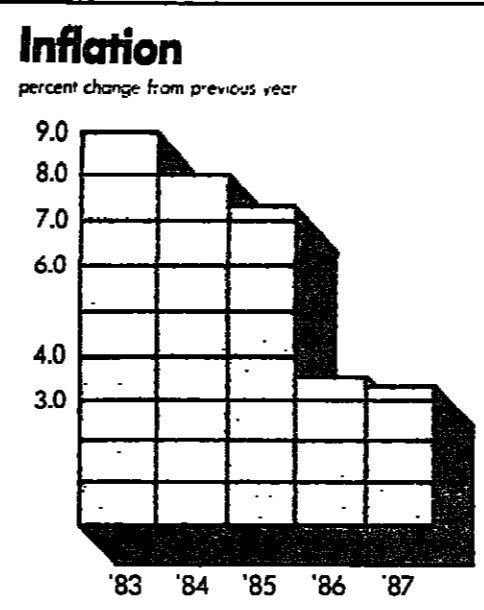
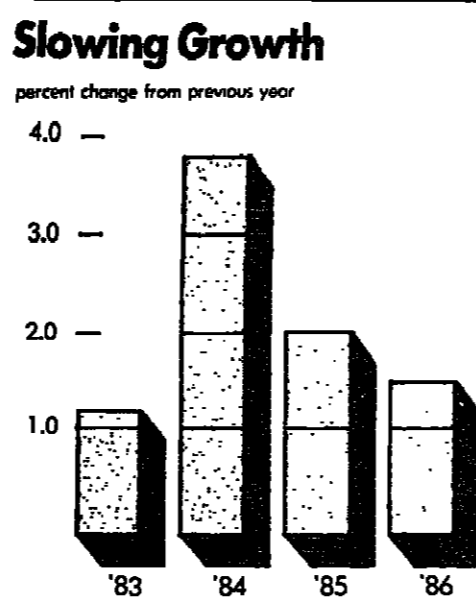
Tax Revision 9
The global push for cutting taxes has come even to Sweden, home of the world's highest taxes.

Market Matures 9
Despite Ferrenta's "scam of the decade," observers say regulation of securities trading on the Stockholm Bourse has kept pace with market expansion.

Growth in M&As 10
International acquisitions by large corporations are seen as the backbone of Swedish industrial competitiveness.

Consumer Boom Masks Rough Spots

By Juris Kaza
STOCKHOLM — Spurred by easy credit and higher real personal incomes, Swedes are enjoying a consumer spending boom...



Carlsson Aims To Improve U.S. Relations

By Chris Mosey
STOCKHOLM — Quietly, with an absolute minimum of rhetoric, Sweden has changed political course to enter into a new era of rapprochement with the United States...

Arms Trade Scandal Shatters Image of Clean Dealings

By Kenneth R. Timmerman
STOCKHOLM — For many Swedes, the "Bofors affair" has all the trappings of a bad dream. The further they get into it, the worse it gets...



Olof Palme's efforts to mediate an end to the Gulf war have come under new scrutiny as a result of the Bofors affair.

granted for the false destination. Mr. Ardbo said.
The same process, most of the time citing Singapore as the "legal" purchaser of the equipment...

to Iran from at least eight other countries, the prosecutor said.
The most frequently used "transfer countries" for disguising the real destination of the deliveries were Austria, Belgium, West Germany, Italy, Yugoslavia and Pakistan...

Banque Indosuez in Sweden.

Banque Indosuez is the only European bank established in all Nordic countries (Denmark, Finland, Iceland, Norway and Sweden). Its subsidiary, Banque Indosuez Sverige AB, is pre-

sent in Stockholm. This network in Nordic countries is part of the Bank's comprehensive international network now covering 65 countries, in Western Europe and North America, as well as in Asia-Australasia and the Middle East.



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Arms Trade Scandal Shatters Country's Image of Clean Dealings

Continued from page 7

Mr. Algernon's was negligent, that he simply failed to suspect foul play by Bofors. However, before taking over the War Materiel Inspectorate job, Mr. Algernon was head of Swedish military intelligence, and was thus in a prime position to know the ins and outs of the illicit weapons trade.

In fact, his immediate superior at the time of his death, Foreign Trade Minister Carl-Johann Alberg, said in an interview that Mr. Algernon was already suspicious of Bofors in 1981 and three years later "was the one who handed over information to the police." The police have not made public the results of their investigation.

Members of the Constitutional Commission said they were convinced that the government knew something was amiss at Bofors as early as 1980. They noted that two government ministers had personally audited the company's books and had elicited written statements from Bofors executives disclaiming any illegal activity.

"I have read the Bofors disclaimer," said Anders Bjork, an opposition member and deputy chairman of the commission. "And it is not very convincing."

But it was good enough for two successive governments.

One researcher at the Stockholm International Peace Research Institute compared the Bofors scandal to the prowling of Sweden's coast by Soviet submarines. "For years, the Swedes knew they were out there, but kept on wishing they wouldn't get caught," he said. "Finally, there was the 'Whiskey' [submarine] on the rocks, smack in the middle of the Karlskrona naval base, and they couldn't ignore it anymore."

The Swedes see themselves as an outpost of morality in the modern world. Sweden sparked the European groundswell against the U.S. involvement in Vietnam in the early 1970s and was the first arms producer in the world to voluntarily restrict its arms exports. Swedes find it inconceivable that their politicians might lie. Even in official circles, distrust is an uncommon phenomenon.

The *facus* now emerging from the Bofors case has gone a long way toward shattering this public image.

Swedish businessmen and officials bent the rules they themselves had made. Indeed, some of the most energetic supporters of Swedish arms sales were in the trade unions and in the Social Democratic Party. The reason? Bofors and other major defense contractors exported more than 30 percent of all the weapons they produced.

Mr. Palme himself was probably the most effective arms salesman of all. He convinced Prime Minister Rajiv Gandhi of India to buy Bofors field howitzers worth \$1.3 billion, Sweden's largest arms export order.

Recently, however, the press has alleged that the deal involved bribes and kickbacks. The Swedish radio has claimed that it had discovered incriminating bank documents that showed 30 million kronor (\$4.75 million) had been paid in bribes. The revelations dealt another blow to Sweden's image.

Today, many Swedes have begun to take a harder look at the whole dynamic of arms sales

It was a secret to none that Mr. Palme saw himself as an international statesman, perhaps the only one capable of bringing the Gulf war to a halt. It is also clear that he used trade incentives to woo the Iranian leadership.



Prime Minister Ingvar Carlsson, center, during a March meeting with U.S. Secretary of State George P. Shultz in Stockholm.

and of how they might affect Sweden's role in the world. One thing that has emerged is the close linkage between arms exports and Swedish neutrality, held up as a "sacred principle" by Swedes on left and right alike.

Mr. Palme and others realized that for Sweden to remain neutral it needed a healthy arms industry. And without substantial exports, this could only be done at a tremendous cost to the Swedish taxpayer.

"The big plus from foreign sales," a researcher with the Stockholm International Peace Research Institute said, "is that they keep production lines open free of charge. Without the Iranian [and other black market] orders, the Swedish government would have to increase its own orders or begin buying many of its own weapons abroad. And that would definitely have a negative effect on Swedish neutrality."

Some politicians, such as Anders Bjork, feel it would be less hypocritical to abandon arms

export restrictions. "Swedes must understand that countries are buying weapons to use them, not to keep them on the shelf," he said.

But the current Social Democratic government prefers to maintain the principle of Sweden's moral position. Prime Minister Ingvar Carlsson announced in April that loopholes in the law would be closed to make it harder for companies such as Bofors to sell arms directly to blacklisted countries.

However, officials admitted that it was still possible for companies to skirt the law by selling weapons made under license abroad. "and we have no control over that."

Bofors alone has granted production licenses to 16 countries.

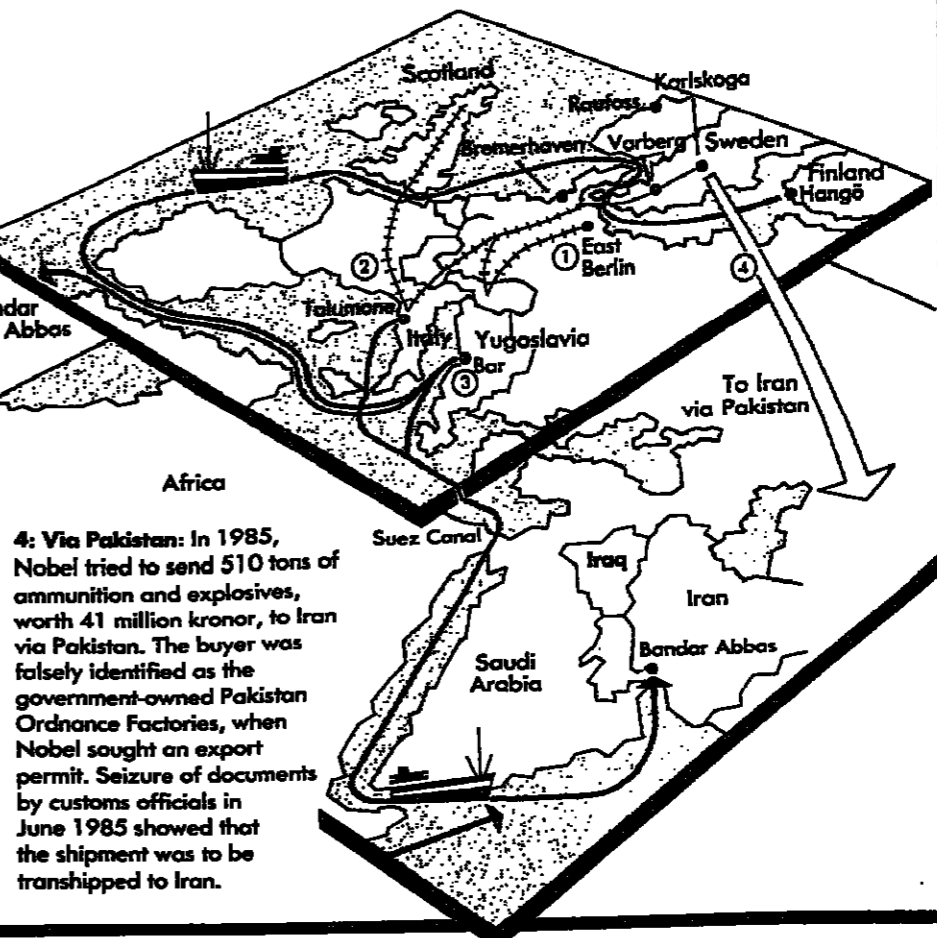
Official investigations continue to turn up evidence of arms smuggling, more companies are becoming involved, and it is suspected that Mr. Palme himself may have played a key role in illegal arms shipments to Iran as part of a

How Swedish Explosives Were Shipped to Iran

1. Via Austria and East Germany: Between 1981-85, Nobel Kemi delivered 600 tons of ammunition to Iran in 26 shipments valued at 38 million kronor.

2. Via Italy: In 1984, Tirrena Industriale in Italy received an order from Iran for 5,300 tons of ammunition, 900 tons of which it contracted to Nobel Kemi. Nobel had delivered 50 tons, before Tirrena was stopped by the Italian government. It delivered 200 tons of explosives via Tirrena, worth 10 million kronor.

3. Via Yugoslavia: In 1985, Nobel Kemi, through a company set up in Yugoslavia, undertook to deliver 1,300 tons of ammunition, part of a 4,700-ton contract, including South Africa. Nobel subcontracted with Muiden Chimie in the Netherlands, Raufoss in Norway, Kemira in Finland and Nobel Explosives in Scotland. A total of 230 tons was shipped to Iran from Karlskoga, Sweden, in March 1985.



Graphic adapted from Eugene Hyltoner, with illustration by Hans Malm and data by Berne Stewart.

4. Via Pakistan: In 1985, Nobel tried to send 510 tons of ammunition and explosives, worth 41 million kronor, to Iran via Pakistan. The buyer was falsely identified as the government-owned Pakistan Ordnance Factories, when Nobel sought an export permit. Seizure of documents by customs officials in June 1985 showed that the shipment was to be transhipped to Iran.

larger effort to win Iranian support for his UN-backed plan to end the Gulf war.

A New York Times Magazine report in February alleged that Mr. Palme blocked an illegal shipment of Bofors howitzers to Iran in July 1985. Subsequent reports in Sweden say he called back two ships carrying howitzers on their way to Iran, one off St. Helena's Island and the other off the coast of Mozambique.

But in interviews, government investigators with access to about 6,000 pages of documents on the smuggling said that Mr. Palme knew about other deliveries to Iran "and did nothing to stop them."

Mr. Palme began courting Iran's mullahs shortly after the 1979 revolution. Before he returned to power as prime minister in 1981, he headed a team of UN mediators trying to bring the Gulf war to a halt, and he is said to have forged close personal ties with many Iranian leaders.

In 1983, Mr. Palme concluded a large-scale oil deal with Iran at disadvantageous prices, despite Sweden's historic shift away from Gulf suppliers in favor of North Sea oil.

Trade officials said the Iranians urged the deal on Mr. Palme as a means of balancing trade between the two countries. And although adverse publicity eventually killed that particular oil deal, Sweden concluded other deals for Iranian oil worth \$176 million over the next three years.

The oil deals were significant because they were politically motivated. Despite Mr. Palme's stated attitude of "neutrality" toward both belligerents in the Gulf war, no similar gesture was made toward Iraq. Indeed, Swedish oil purchases from Iraq over the same three-year period were only \$5.75 million, according to government figures.

Meanwhile, Iran became a major market for Swedish products, with civilian exports to Iran

topping the \$500 million mark in 1984. "Our foreign policy and Mr. Palme's good name helped establish this disproportionately large Iranian trade," one official said.

It was a secret to none that Mr. Palme saw himself as an international statesman, perhaps the only one capable of bringing the Gulf war to a halt. It is also clear that he used trade incentives to woo the Iranian leadership into taking his advice.

With Mr. Palme's assassination and the death of Mr. Algernon, the whole truth about Swedish arms deliveries to Iran may never be known. However, one thing is certain: The Bofors affair marks the end of the Palme myth. Sweden has lost its innocence.

KENNETH R. TIMMERMAN, associate editor for the Washington-based *Journal of Defense and Diplomacy*, is the author of "Fanning the Flame," a study of arms sales to Iraq and Iran.

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Return on equity, %	27.7	16.9
Capital ratio, %	7.4	6.3

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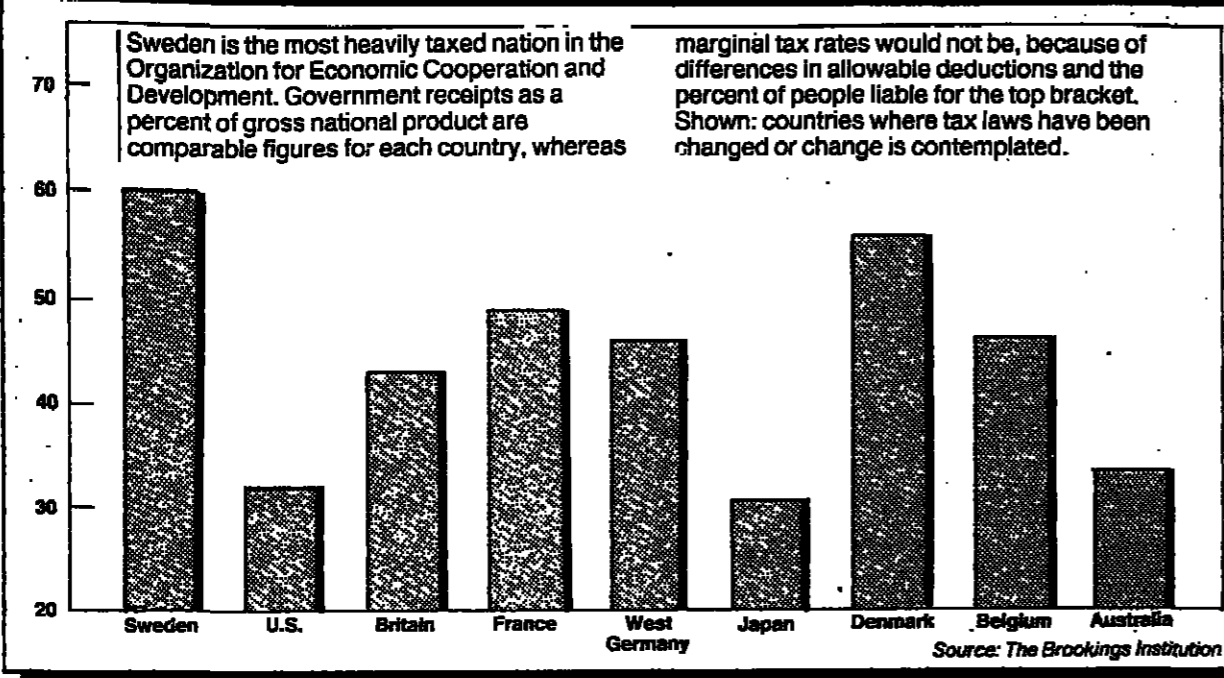
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May, 1987

سیدنا من الایم

Overhauling Tax System ■ Fermenta Scandal

Current Government Receipts as a Percent of G.N.P.



Sweden is the most heavily taxed nation in the Organization for Economic Cooperation and Development. Government receipts as a percent of gross national product are comparable figures for each country, whereas

marginal tax rates would not be, because of differences in allowable deductions and the percent of people liable for the top bracket. Shown: countries where tax laws have been changed or change is contemplated.

Debate Mirrors Global Trend

By Steve Lohr

New York Times Service

STOCKHOLM — The global push for cutting tax rates, spanning ideological boundaries, has come even to Sweden, home of the world's highest taxes.

A Swedish worker receiving wages of \$35,000 a year or more, for example, faces a stunning marginal, or peak, income tax rate of 78 percent because of the country's generous welfare state.

The high rates on comparatively modest salaries have made the game of avoiding taxes a national pastime, swelled the underground economy, worsened inflation and squelched incentives to work harder for more pay.

"The very high level of progressive taxation just doesn't work," said Kjell-Olof Feldt, the finance minister.

Earlier this year, Mr. Feldt proposed a sweeping overhaul that would lower income tax rates, reduce tax avoidance and broaden the tax base in Sweden.

Tax revision—corporate overhaul will be addressed later this year—is a highly sensitive political issue, especially for Mr. Feldt's Social Democratic Party. The Social Democrats, who have controlled the government for 49 of the last 55 years, have made high taxes a central part of their platform.

Tax reduction has always been the rallying cry of the non-Socialist opposition. So by calling for an overhaul, the Social Democrats risk leaving themselves open to charges, especially from their own left wing, of deserting their Socialist principles. The tax debate will be a central issue in next year's elections, but some overhaul of the system seems certain to be approved.

While the debate here, as elsewhere, is shaped by domestic politics, it also provides a magnified example of the forces behind the international tax-revision movement.

In addition to the United States, nations that have adopted or are considering tax overhauls include Britain, France, West Germany, Denmark, Belgium, Australia and New Zealand. The drift of the Swedish proposals—cutting rates and simplifying the tax system—mirrors the global trend.

Some nations may be acting, at least in part, out of fear that companies and skilled employees will relocate to places with lower taxes.

In Sweden's case, for instance, IKEA, the country's most rapidly expanding retail chain, has moved its headquarters to Denmark for tax reasons, and a large community of wealthy Swedes lives in Britain. One of them is Erik Persner, one of the most successful and influential individual investors in Swedish corporations. Swedish tennis stars routinely move to Britain or Monte Carlo as soon as they begin to pile up large earnings on the international circuit.

But the impetus for tax revision in the industrial world is mainly a drive for efficiency. Ideology, to be sure, has played a role, especially in Britain and the United States, where the Thatcher and Reagan administrations view high taxes as an infringement on individual freedom and enterprise.

But Labor or Social Democratic governments in Australia and New Zealand, in addition to Sweden, have also embarked on tax revision.

Accordingly, many analysts have pointed to the tax movement as evidence of an international shift to the right in economic policy. That claim is debatable. Even in a Social Democratic country like Sweden, there is less concern today about income redistribution and more about efficiency.

Political leaders here say the focus on efficiency is not a departure from its long-held commitment to economic egalitarianism, enshrined in the welfare system, but is necessary to ensure that the nation can continue to pay for its generous social programs. So far, there is no serious talk of paring the welfare state.

"The Social Democratic Party has to recognize that high taxes, which reduce efficiency and stim-

What Swedes Get For Their Taxes

The Swedish social welfare system has worked in a society of shared values, where it might not in a country where different groups have conflicting goals, say experts at the Brookings Institution, who have studied the Swedish economy. Some Swedish tax revenues, unlike many nations' welfare benefits, go to reward those who work. These examples are:

Day Care

Parents must be registered as members of the work force in order to enroll their children in day care.

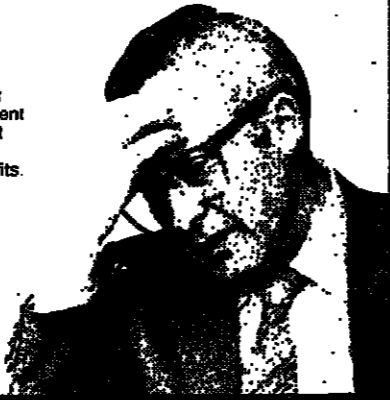
Subsidized Lunches

Employees may buy coupons for half their face value and redeem them for restaurant meals. Consequently, many Stockholm restaurants are open only at lunchtime.

Retirement Benefits

Work incentives are built into the Swedish equivalent of Social Security so that greater work results in greater retirement benefits.

Kjell Olof Feldt, Sweden's Finance Minister, who has proposed a major tax overhaul.



Liberal Party, a leading non-Socialist party.

The perceived need to rid national tax systems of decades of growth-inhibiting special deductions, allowances and loopholes is another common thread in the global tax-revision movement. Some economists suggest that tax systems have life cycles and what is occurring around the world today is the death of the postwar generation of tax structures.

Accordingly, the only means to tax rationalization becomes a drastic overhaul, instead of the piecemeal bartering among interest groups that led to the problem in the first place.

"Politically, you have to be brutal and have a clean sweep, much like in the United States," said Gunnar Eliasson, president of the Industrial Institute for Economic and Social Research, a private research group.

Sweden's combination of high income taxes and proliferation of deductions has made tax avoidance a cottage industry. A decade or so ago, sidestepping taxes was considered shady behavior.

"But today, how to avoid taxes is one of the most common subjects of social discussion at dinner parties or over drinks," said Nils Lundgren, senior economist at PK Bank.

The inflation of the 1970s focused public attention on ways to avoid taxes because workers were bumped into higher and higher tax brackets. The high taxes, in turn, fueled further inflation. For example, if a company gives workers an increase in take-home wages, it has to pay out three or four times the amount because of the high taxes.

One result: Average wage settlements have increased by 8 percent to 9 percent annually in recent years, compared with annual advances of 1 percent to 3 percent in West Germany, whose companies often compete with Sweden's.

Still to come is the debate over corporate tax revision. One of the secrets of Sweden's strong economic performance in the postwar years has been the implicit deal struck between the Social Democrats and major corporations.

Regulations Tightened on Bourse

By Juris Kaza

STOCKHOLM — It was called Europe's "scam of the decade" by Business Week, and many Swedish business commentators called it the worst business scandal to hit Sweden since World War II. The antibiotics maker, Fermenta, Stockholm's "bourse rocket" of 1985, with forecasts of huge earnings and sales growth potential, proved to be a hollow sham built on misleading information, inflated statistics and, possibly, outright fraud.

Stockholders and creditors faced losses of several hundred million kronor, and the company's charismatic founder and former owner, Refsat al-Sayed, an Egyptian-born Swede, parted with Fermenta in disgrace, facing possible criminal charges, civil lawsuits and personal bankruptcy.

A "star-studded" board of directors went down with Mr. Refsat, including the advertising specialist Leo Nordin and Gösta Bystedt, one of the top managers of Electrolux, Sweden's second largest industrial corporation.

Volvo's chairman and chief executive officer, Peter G. Cyllehammar, came close to backing Mr. Refsat and Fermenta in a deal to merge the company with Pharmacia, one of Sweden's leading pharmaceutical manufacturers and suppliers of equipment in biotechnology.

Volvo, however, pulled back from the deal in early 1986 when it was disclosed that Mr. Refsat had lied about his academic qualifications.

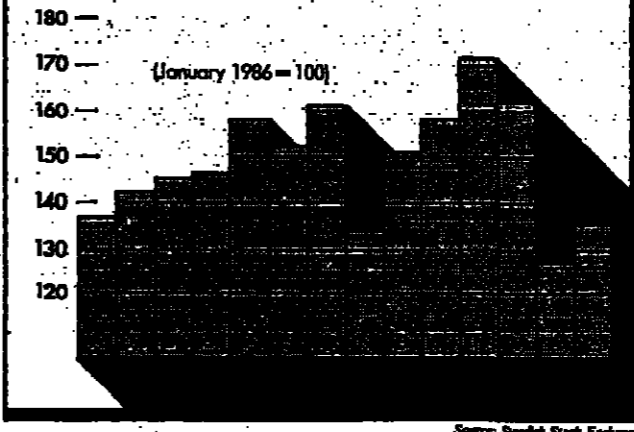
The press has also admitted that it was "taken in" by Mr. Refsat, and one of the nation's two non-commercial, publicly owned television channels even named him "Swede of the year" for 1985.

Despite the Fermenta affair, observers in Sweden and abroad say that oversight and regulation of securities trading on the Stockholm Stock Exchange have kept satisfactory pace with the growth and internationalization of the market.

The stock market's "affairs," starting in the mid-1980s, have mainly been cases that raised ethical questions and dramatized a need for new rule-making. There have been very few instances of clearly irreproachable or criminal behavior.

Göran Svensson, a director of Sweden's Bank Inspection Board, which along with the stock ex-

The Stock Exchange Boom



change is the nation's official regulator of securities markets, said that since Sweden adopted a ban on insider trading in 1985, there have been only four cases where the board initiated a criminal investigation. Previously, insider trades merely had to be reported and were published occasionally in Swedish newspapers. Now, insider trading is punishable by fines or up to two years' imprisonment.

"Two of these cases are related to Fermenta and, in one instance, involving the merger of Pharmacia and LKB [a rival maker of biotechnology-related instruments], it was Pharmacia's management who requested the investigation," Mr. Svensson explained. He said that the insider trading will be tightened, effective July 1, to cover a broader range of corporate officials and a wider time span surrounding market-affecting management decisions.

"If you forget about Fermenta and Refsat, where there is a probability of criminal behavior and fraud, then what we are concerned with in Sweden is not behavior that we have not previously experienced and for which new rules are being created," said Ragnar Boman, head of research and analysis at the Stockholm Stock Exchange.

The exchange itself can fine or delist companies under terms of its listing contracts, and it can cooperate with the Bank Inspection Board and prosecutors in bringing criminal charges against violators of the new insider trading laws, or in cases of fraud and misrepresentation.

It has, according to Mr. Boman, between five and 10 employees available for daily mon-

nitoring of trading and investigation of suspicious activities, "depending upon the situation."

"We had our first serious problems in 1983, with the merger of Fermenta and Kinnevik," Mr. Boman said, referring to a steel company and a related investment company. He added, "There were some problems with information to the market, and also there were essentially two different offers made to two different categories of shareholders. The result was the exchange delisted Fermenta and Kinnevik."

Around the same time, the Swedish business community formulated voluntary "flagging" rules requiring announcement whenever any single interest had acquired more than 10 percent of the shares in a listed company. "This worked as a voluntary measure, and later, even the government found that it was not

necessary to legislate a flagging rule," Mr. Boman said.

Mr. Boman recalls that the stock exchange "started keeping an eye on Fermenta in the fall of 1985, when there were many rumors about them, and allegations that Refsat was playing with the share price."

The exchange first suspended trading in Fermenta in February 1986 and ordered an outside audit on its 1985 annual report. There were further problems with the handling of corporate information during the spring of 1986, and in May, the exchange imposed the highest possible fine, 1.1 million kronor (\$175,000), on Fermenta. Fermenta was finally expelled from the exchange in January 1987.

Abroad, some analysts are a little skeptical of the effectiveness of Sweden's regulatory measures, but at the same time, they praise the behavior of those multinational corporations that draw strong foreign investor interest.

"The major companies conduct their business up front, and foreigners have great respect for them," said Gerald Nordberg, president of Reinheimer, Nordberg, a New York securities brokerage specializing in Scandinavian shares.

"It's the second tier of companies where the problems are, and those mainly trade among investors in Sweden. Fermenta had a very small ownership by Americans. But it does surprise me to see that the only person to be blamed is Refsat, and that all these smart businessmen on his board didn't require documentation and accounting for his deals," he said.

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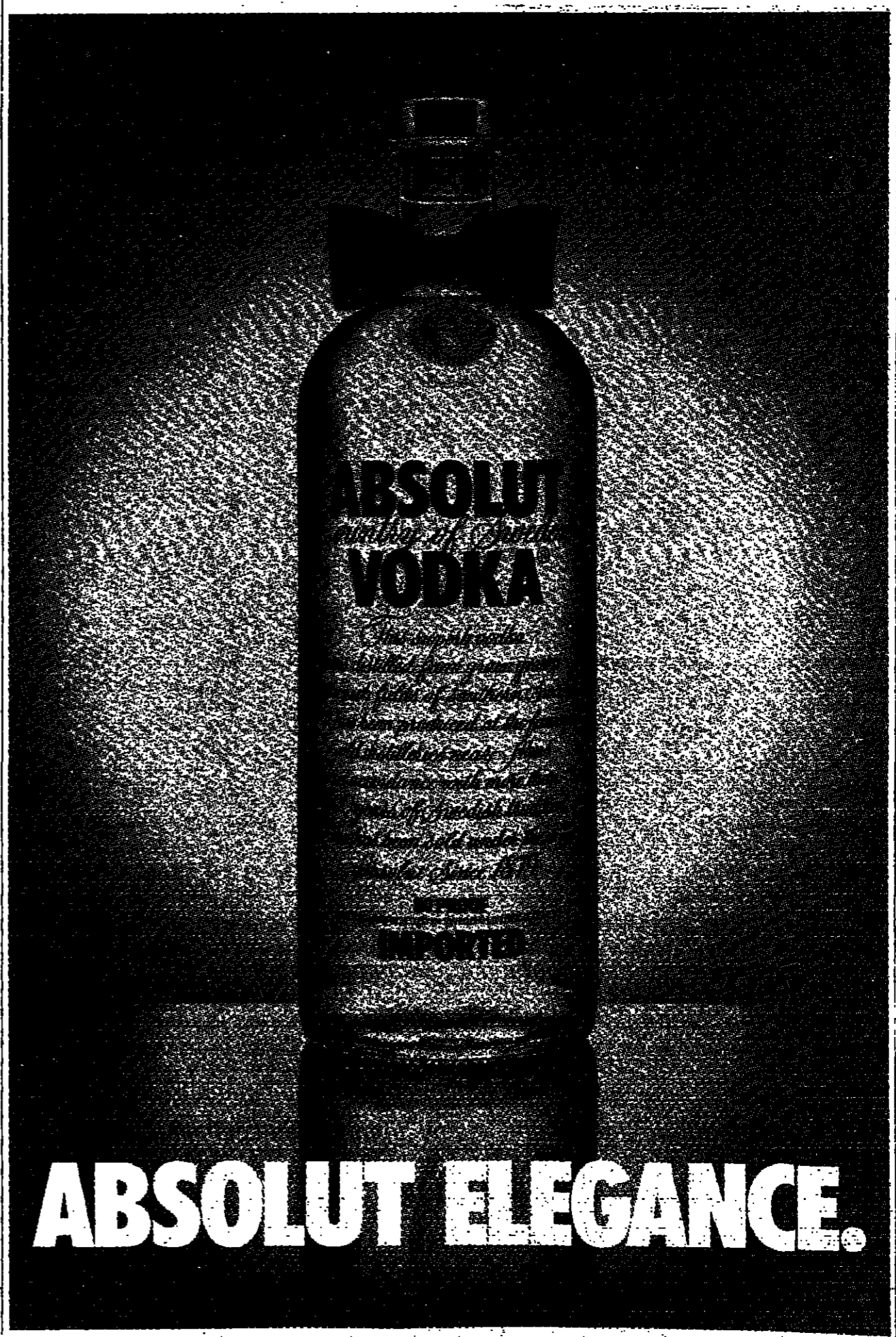
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Acquisitions Lift Sales and Output For Industries

By Juris Kaza

STOCKHOLM — A spate of recent international acquisitions by large Swedish corporations may seem like a new trend because of the publicity it has gotten, but buying market shares and a manufacturing base abroad has been a primary means of survival for Swedish industry in the past two decades.

In the span of a few months, Swedish Match bought up its second largest maker of matches, Wilkinson Sword, in Britain; Electrolux bought the white goods operations of Britain's Thorn EMI and Boliden, a mining and minerals group, purchased 11 international units of Allied Chalmers of the United States.

These deals were announced even before others had faded from memory — Electrolux acquisitions of appliance makers White in the United States and Zanussi in Italy, as well as Volvo's joint ventures with General Motors in trucks and with Clark in construction and earth-moving equipment.

The acquisition of White, for about \$722 million, ranked high among the top 200 mergers by size in the United States.

In less spectacular moves, Atlas Copco has signed an agreement to acquire Chicago Pneumatic (CP) from Danaber Corp. of Washington, for \$85.5 million. With this, Atlas Copco becomes one of the largest manufacturers of pneumatically driven tools in the United States.

The latest round of acquisitions shows that at present, large Swedish corporations have plenty of cash to spend from the good earnings of the past few years, and Swedish managers are quick to take advantage of a weak dollar that makes U.S. acquisitions especially attractive. But these factors simply influence the timing of deals, not the underlying reasons for aggressive Swedish corporate expansion abroad.

Moreover, Swedish corporations continued to seek acquisition opportunities in Europe even with a weak dollar, making U.S.

companies appealing. Besides the British companies purchased by Swedish Match and Electrolux, AGA, the Swedish-based industrial gas company, is making a \$85-million-franc (197-million) bid for the French gas company Duffour et Igon.

Ericsson, the telecommunications and office automation group, recently was awarded the right to buy 50 percent of Compagnie Générale de Constructions (CGCT), a state-owned French telecommunications group that is being privatized.

"The technology today demands larger and larger production units, so one has to turn abroad for markets to support large production volumes," said Andrejs Cakste, group controller at Swedish Match, who recently moved from a similar position at Electrolux.

Both companies produce "mature" products and have expanded domestically and abroad by acquiring, and, if need be, restructuring and integrating strategically attractive companies.

Bjorn Rosengren, chief economist of Gotabanken, Sweden's fourth largest commercial bank, noted that "Sweden is the country that, in relation to its population, has the largest direct investments abroad of any country in the world."

Foreign sales ratios of 60 percent or 70 percent of total sales or more are not uncommon for large Swedish companies, with some such as the pharmaceutical and biotechnology group Pharmacia, selling around 90 percent outside Sweden.

The bank economist added that "even if these last acquisitions seemed spectacular, it is hardly a departure from earlier policy; this is a natural long-term development for Swedish industry."

"Electrolux made its first acquisitions on the Swedish market, and Swedish Match did the same in restructuring the door industry in order to get a large enough market share to support efficient production," Mr. Cakste said.

"And when it comes to exports in mature industries, you need a base abroad with brand names, a sales organization, and established market shares."



Volvo assembly plant in Kalmar.

Large Swedish corporations have plenty of cash to spend from the good earnings of the past few years.

In floor coverings, a major product area for the Tarkett Group within Swedish Match, the company has acquired Pegulan, a well-established floor-covering maker in West Germany. At Electrolux, officials are often proud that their name is unknown abroad, because they sell under some of the best-known names on local markets, such as Tappan in the United States.

Mergers within mature manufacturing industries and across national borders also make it possible "to expand your purchasing base and increase your negotiating power, say, with suppliers on the Continent," said Mr. Cakste.

He added that consumer-related industries are not the only mature businesses to benefit from international expansion.

"Look at how Esab, the welding group, has grown," he remarked.

Analysis says that, because of the weak dollar and the relative

importance of the U.S. market to Swedish corporations, there are golden acquisition opportunities in North America.

"Even if managers have been around for 20 years, they've never seen the possibility to acquire U.S. facilities on terms available today," said Gerald Nordberg, president of Reinheimer, Nordberg, a New York securities brokerage that specializes in Scandinavian shares.

So many Swedish corporations have made acquisitions of both large and small foreign units that what is remarkable to analysts are those few multinationals that have yet to strike.

"When I think about these mergers, I wonder about the companies who could sustain a major acquisition but haven't done so," said Mr. Nordberg in New York. "One that comes to mind, in fact, a prime candidate, is Asea."

Consumer Boom Masks Problems

Continued from page 7

ity in the Riksdag, or parliament, and has come under pressure from both the far left and the political center, preventing it from taking strong austerity measures.

In 1988, the Social Democrats face an election without the controversial but charismatic Olof Palme, who was assassinated in February 1986.

"The main problem is our major dependence on foreign markets and the current account," said Bjorn Rosengren, chief economist at Gotabanken. "Without the oil price drop, we would have had a 15 billion kronor current account deficit last year." Sweden's current account posted a deficit of 6.7 billion kronor in 1986.

"What we have now is a bright picture if the outside world goes on as it has to now," commented Nils Lundgren, chief economist at Post-och Kreditbanken (PKBanken), the state-owned commercial bank. "The best signals in the economy have to do with the competitiveness and profitability of our export industries."

But even the relatively optimistic Mr. Lundgren admits that "we have this tendency toward weaker external accounts, which reflects the rise in private consumption and, in the longer run, the increase in wages and prices."

In a recent forecast, PKBanken said it expects Sweden's current account surplus to shrink to 1.5 billion kronor in 1988 from a projected 3.9 billion kronor in 1987.

Hubert Fromlet, chief economist at Swedbank, the commercial bank owned by Sweden's savings banks, said the nation's main problem will be "inflation, for several reasons."

"The drop in oil prices is not there anymore and prices aren't falling," Mr. Fromlet said. "With the strong yen and D-mark, there will be price increases on imports from Japan and West Germany. Our domestic price freeze will be lifted during the second half. A lot of price rises swept under the rug will be swept back out," he said. He was referring to the price freeze imposed by the government earlier this spring.

He added, "Also, there are a number of state-mandated price rises, for instance, the agreement [with Swedish farmers] to increase prices of basic foodstuffs, the higher excise tax on new cars, and so on."

Mr. Rosengren of Gotabanken commented that "we have a remarkable ability to end up with the same cost development every year. The contractual increases have been shrinking, but at the same time, wage drift is increasing."

Wage drift comprises both wage raises offered voluntarily by companies to attract workers and automatic increases triggered as part of the "solidarity" wage structure when voluntary raises in one sector create inequalities with the wages of workers doing similar work in other industries.

"This year it looks like we will have a rise in employment in the private sector; in effect, we are seeing the best of the labor market now," said Mr. Lundgren. "but that means for a

large part of private industry, you will get wage drift."

During the spring, unemployment has hovered around 2.2 percent. Mr. Lundgren said that the underlying inflation rate, based on domestic labor and other cost increases, "is 5.5 to 6 percent, and we are moving up to that, although the December '86 to December '87 rate will not be more than 4.5 to 5 percent, reflecting the oil price drop."

Mr. Fromlet said that "most of the factors that affect inflation are negative" and added that Mr. Carlsson's government isn't likely to be able to push any effective fiscal austerity measures through the Riksdag, parliament, leaving management of the economy to the Bank of Sweden by monetary and interest rate policy.

"Here the main problem is that we have a government that will find it difficult to drive through a fiscal policy that cuts consumption," the Swedbank economist remarked. "The number one way to cut consumption would be to raise the value-added tax, but we don't have a split VAT for food and other goods, so the Communists will oppose that. You could restrict tax deductions related to credit, or set up some kind of forced savings, but with an election year coming in 1988, what political party wants to support austerity?"

Mr. Rosengren of Gotabanken added, "In terms of the technicalities of parliamentary voting, this is a weak government. We should have had austerity measures for the sake of

our foreign balance, but there is no real majority in the Riksdag, and there's an election next year."

Rising U.S. interest rates may push up interest levels in Sweden regardless of what the central bank chooses to do.

"I cannot see any way out for the U.S. except rising interest rates and rising inflation," said Mr. Lundgren.

Swedbank's most recent economic forecast speaks of "continued high Swedish interest rates" based on the nation's weak external accounts and rising rates in the United States.

The weak dollar is regarded as a mixed blessing for the Swedish economy, where many industries rank the United States among their largest export markets.

On the one hand, the krona has not appreciated as much against the dollar as the Deutsche mark and yen, leaving Sweden ahead of its major competitors. At the same time, the weaker dollar has considerably cut debt service costs. Swedish multinationals with manufacturing in the United States and using the United States as an export platform are benefiting from the dollar's weakness.

"The dollar goes down, with all other business as usual, we will cope with that, though the profits of Saab and Volvo will go down," Mr. Lundgren said.

JURIS KAZA, a Stockholm-based journalist, contributes regularly to the *International Herald Tribune's* business pages.

New Rapport With U.S.

Continued from page 7

kept in the background, making few speeches and public appearances.

As a result, he is "Mr. Clean" to the White House when it comes to suspicion of harboring anti-American sentiment.

Mr. Carlsson still gives few indications of where he stands on world issues, but the general understanding of his staff is that he will usually stick to the safety of the middle ground rather than veer left.

He has been accused of dragging his heels in the South Africa sanctions issue, for example, earning him the ire of his party's left wing and some members of Sweden's powerful trade union movement but winning him the respect of the business community.

U.S. Secretary of State George P. Shultz, who met Mr. Carlsson following Mr. Palme's funeral in March 1986, was reported to have been impressed by his modest demeanor and restrained style of diplomacy.

The groundwork for the Washington visit was then carefully laid in a series of meetings between Mr. Carlsson and his staff and Gregory J. Newell, the U.S. ambassador to Sweden.

Mr. Newell has insisted that he does not expect Sweden to necessarily hold the same opinions as the United States on world issues. But he has asked for "greater understanding" of the U.S. position, something he would have been unlikely to have achieved with Mr. Palme. Beyond diplomatic considerations, Mr.

Carlsson has plenty of reasons for establishing a new rapport with the United States.

Big business has had a bad time of it lately in terms of its image abroad.

First, the badly bungled hunt for Mr. Palme's assassin cast severe doubts on Swedish efficiency.

Then came the revelations of shady dealings within the pharmaceutical company Fermenta that eventually led to the removal of Refaat el-Sayed, the firm's Egyptian-born managing director.

Mr. Sayed had been something of a folk hero in Sweden and he had been named "Swede of the year" by the state television company for his rapid climb to the top.

Another "Swede of the year" was Hans Holmer, the Stockholm police chief who led the hunt for Mr. Palme's killer and whose methods were likened to those of the fictional Inspector Clouseau.

Worse was to come. It was revealed that Bofors, the Swedish arms company, had been involved in illicit deals in the Middle East and Southeast Asia and may have resorted to bribery to secure a huge order to India. Several executives now face prosecution as a result.

The country's reputation for quality, reliability and honest dealing has been severely blighted.

CHRIS MOSEY is a Stockholm-based correspondent for *The Observer* of London.

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In millions of Swedish Kronor (SEK M).
Exchange rate: SEK 1,000 = USD 158.19 (April, '87).

Assets		Liabilities and shareholders' equity	
Bank balances	1,414	Current liabilities	4,720
Receivables	6,982	Uncompleted contracts	
Investment and development properties	4,248	Invoiced sales from beginning of contracts	16,515
	12,644	Accumulated expenses from beginning of contracts	-13,082
Other receivables	566		3,433
Shares and participations	4,040		8,153
Machinery and equipment	961	Long-term liabilities	
Fixed-asset properties	1,085	Untaxed reserves	4,292
		Capital stock	4,736
		Reserves	617
		Net profit for the year	485
Total	19,296	Total	19,296

Consolidated revenues 1986 - SEK 16,103 M



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Women Round Joe

By Mike Zwerin International Herald Tribune

PARIS — Touring Europe earlier this year, Joe Henderson found that he was front page news in Italy, Spanish journalists showed microphones in front of his mouth, and he was asked for an autograph by a businessman on a flight from Belgrade to Zagreb.

His new female rhythm section may have something to do with it, though he insists that "these ladies are doing precisely what they should be doing right now. They're totally qualified for the job. They're here because they're talented musicians, not women. I'm not trying to make a socio-political statement and one of these days I hope we reach the point where we won't see these things as important. I get asked about it about 10 times a day."



Joe Henderson with (from left) Marlene Rosenberg, Sylvia Cuenca and Irene Rosnas.

Three attractive young women in a rhythm section might bear superficial resemblance to a gimmick, though they are not necessarily an advantage in the macho world of jazz (three white women at that). But Joanne Brackeen had been his pianist for 18 years and the bassist Kim Wilde was with him for two, so when a Dutch agent, Wim Wigt, suggested adding a woman drummer, it just seemed logical. Anyway, he is not in need of gimmicks. Conducting a clinic in San Jose, California, seven years ago, he was startled to hear a 16-year-old girl named Sylvia Cuenca kicking a big band brass section very hard. Henderson, who lives in San Francisco, tried unsuccessfully to find her for several jobs. Good women drummers are rare and he feels lucky to have her with him now. He calls his current pianist, Irene Rosnas, "probably the oldest 24-year-old I've ever met. She's lyrical beyond her years. It's unusual for musicians of her generation to have so much depth." The bassist Marlene Rosenberg joined the band 10 weeks ago when Kim Wilde took maternity leave. There is no "best," but if forced to choose one tenor saxophone player, most jazz musicians these days would name Joe Henderson. He finally emerged from the shadow of Sonny Rollins in 1985, when

Sisterly Passion, and an Ineffable 'Jeeves'

By Sheridan Morley International Herald Tribune LONDON — It was in 1933 that two French housemaids in Le Mans killed their mistress and her daughter, a gruesome double murder that was to give Jean Genet his most celebrated play, "The Maids." What we have now, at the Hampstead Theatre, is Wendy Kesselman's "My Sister in This House," which also deals with that curious domestic slaughter, and

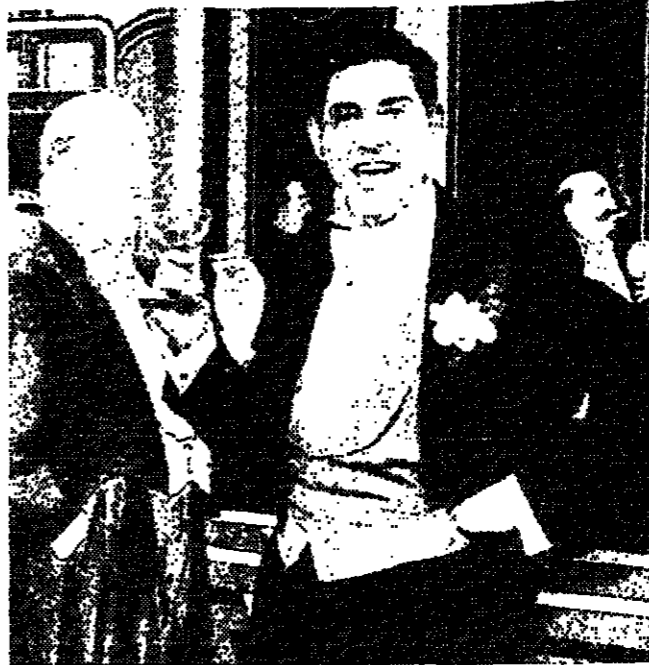
THE LONDON STAGE

won the Playbill award when it was first seen a few years ago at the Louisville festival in Kentucky. For this very welcome British premiere, Nancy Meckler's production brilliantly sets up the overpowering claustrophobia of an upstairs-downstairs household where the owner ritually puts on a white glove to check the undersides of armchairs for dust, and where life is ruled by the constant ringing of bells. Where Genet's play was essentially a sexual fantasy, the Kesselman version is more in the nature of a documentary: we are introduced to Christine and her younger sister Lea, convent girls already accustomed to Dickensian living conditions and here brought together in the attic of the same town house, already heavy with gloom and repression, to wait on an overbearing mother and her uneasy daughter whose principal entertainment and excitement is the weekly outing to inspect their neighbors' hats at Sunday Mass. As long as the maids and their employers remain at opposite ends of the house, meeting only for ceremonies of eating and cleaning and even then in total silence, all remains tranquil enough; it is even possible to see parallels in their relationships, so that Tilly Vosburgh's neurotic daughter is as much of a trial to Maggie Steed's cascadingly gracious mother as is Maggie O'Neill's sexy Lea to her reproving and almost equally domineering elder sister, played by Suzanne Hamilton. It is only when the sisters recognize their incestuous passion for each other that the serene structure of the house starts to collapse. It is some tribute to the moody authenticity of this highly choreographic production that when the lights go down on the final carnage you half expect them to come up again to reveal a pipe-smoking Inspector Maigret trying to work out what has gone so wrong. Individually

there may be better performances in town, but as a quartet these add up to one of the most powerful and ultimately shocking evenings that Hampstead has lately given us.

Almost a decade after it began life as a lunchtime entertainment above a pub in Putney, Edward Duke's "Jeeves Takes Charge" is back in London (at Wyndham's) having in the meantime played its way from Toronto to Taiwan. Not to be confused with the catastrophic Alan Ayckbourn/Andrew Lloyd Webber musical derived from the same sources, this is a one-man show based on the classic stories of P.G. Wodehouse. Though it seems to have broadened somewhat on its travels, it remains a considerable delight.

Whether playing the ineffable butler Jeeves, his insane employer Bertie Wooster, or any other of the 10 characters from dragon aunts to giggling schoolgirls who crop up along the way, Duke never loses sight of the fact that this is in the nature of an illustrated lecture where the language is all. At the Drones club we meet cardboard-cutout men who have been poured into their suits while forgetting to say when, and others who look as though they have been stuffed in a hurry by incompetent taxidermists. Later, across silences you could have dug bits out of with a spoon, social embarrassments are catalogued and recalled in all their gruesome detail before we get to a band of marauding aunts wandering hither and thither, scattering desolation around the countryside. There's the aunt who wears barbed wire next to the skin, the one whom God forgot, the one who kills rats with her teeth and the aunt who calls to other aunts like a mastodon bellowing across primeval swamps. Duke has perfected not only them but also the characteristic Wooster grimace of frozen terror as he is hit by yet another aunt to tap dance while singing "Sonny Boy" at a charity fête. Although his Jeeves has not yet acquired the physical presence and vocal gravity that can perhaps come only with late middle age, as a lightning guide to the comic world of Wodehouse this one could hardly be bettered. Barry Kyle's RSC production of "The Two Noble Kinsmen," the one that opened Stratford's new Jubilee Swan Theatre a year ago, has now reached the Mermaid where the stage and auditorium have so far as is possible been restructured



Edward Duke (left) in "Jeeves Takes Charge." A lightning guide to the lost, comic world of Wodehouse that could hardly be bettered.

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Music's Growth Stock: Baroque Revival Takes Off

By David Stevens International Herald Tribune PARIS — After a season in which the Paris Opéra's one clear winner has been Lully's "Atys," and when the Théâtre Musical de Paris/Châtelet has just done brisk business with a three-week run of works, mostly operatic or vocal, by Paris Lully, Charpentier, Purcell, Handel, the elder Scarlatti and Albinoni, along with Bach and Vivaldi, it is probably time to concede that the Baroque revival is no longer just a revival but has settled in as part of the current musical landscape. All the more so when the just-ended Châtelet Baroque weeks brought together such advocates of original instruments and period authenticity as William Christie, Trevor Pinnock, Jean-Claude Malgoire, Michel Amoric, Alan Curtis, John Eliot Gardiner, René Clemencic, Sigiswald Kuijken, Philippe Herreweghe and Christopher Hogwood, all artists who — whatever their differences may be — share a familiarity with the musical lingua franca of the 17th century and, by extension, the 18th as well. Indeed, one of the most convincing performances at all, except by extension, "The concert performance of Gluck's "Armidé" (1777)

under the musical direction of Curtis came under the commemorative umbrella of the 200th anniversary of the composer's death. Its justification in a Baroque mini-festival might be that Gluck was in the business of revitalizing the tragédie-lyrique of a century earlier, and here he was setting a libretto originally written for Lully by Philippe Quinault. It is a kind of hybrid, a 17th-century skeleton with 18th-century flesh and blood, and although it is far less often heard than Gluck's better known late works, the composer thought it might well be best of his works written for Paris. Curtis, with an impressive group of soloists, the Tafelmusik Baroque Orchestra of Toronto and the Ensemble Vocal of the Chapelle Royale of Paris, showed why. Unlike Gluck's most familiar late works, marked mainly by nobility of style and classical restraint, "Armidé" is about sexual passion and its psychological ravages. The story is from Tasso's "Gerusalemme Liberata," a heavily worked mine for librettos in the 17th century, and tells of the magician Armide and her frustrated attempt to enchant the Christian knight Renaud. The real motor of the drama, however, is Armide's conflict between a ferocious sense

of independence and an obsessive passion for the knight. Or, as Curtis aptly paraphrased it, Armide is a professional woman of an extreme kind, touchy about her liberty but in love with a guy who spends most of his time at the office. "So it's what people now call relevant." And within his deceptively simple style, Gluck does all and unexplored figure beside Ar-mide. Alotouse De Vaughn was a rich-voiced personification of Hate, and Hanna Schaefer Jocelyne Chamorin, François Le Roux and Antoine David stood out as deputy enchantresses and knights. Curtis and the Tafelmusik players, specialists all, performed eloquently separately and together. It is rare to hear this kind of instrumental complexity in the total theatrical purpose, and there was some beguiling solo playing, of which Konrad Hübeler's limpid flute solo (on an 18th-century instrument, of course) was the longest and most prominent. One sign of the entrenchment of the early music revival is the spread of the repertory beyond Monteverdi, rare Handel, and other relative staples. Curtis, a musicologist and a professor at the University of California in Berkeley when he is not in his performing mode, has a schedule this summer that is instructive in this respect. From July 9 to 16 he is conducting the first modern performances — in the courtyard of the Palazzo Pisani in Venice — of Francesco Sacra's "Finta Pazza," a work that was considered lost until it was found a couple of years ago by the Italian musicologist Lorenzo Bianconi in the Borromini Library on

DOONESBURY ...AND I TOOK THESE SLIDES SHORTLY AFTER MY CAMERA-MAN BURST OUT FIRED BY A LIVE SNAPPER NEAR OUR BASE CAMP. WHERE IN THE CORTEX, SIR, AS ARE WE, MR. HEAD, SCAM MEMORIES ARE WELL-PROTECTED... 23? BUT WE'VE ONLY HEARD... COUNSEL? IT COULD BE A LONG SUMMER, SENATOR. FIVE, SIR.

BY AN AWESOME ARRAY OF DEFENSE MECHANISMS, BY MY COUNT, THE PRESIDENT HAS NO FEWER THAN 23 VERSIONS OF THE TRUTH INSULATING HIM FROM REALITY!

23? BUT WE'VE ONLY HEARD... COUNSEL? IT COULD BE A LONG SUMMER, SENATOR. FIVE, SIR.

Tough act to follow.

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SPORTS

Brazilian Apprentices Cutting an Impressive Swath

International Herald Tribune LONDON — Get out those gold-tinted specs. If you have none, feel free to look through mine. We're back on the Brazilian soccer trail and, with customary bias towards artistry in yellow jerseys, I have good news.

Allowing heart and past love affairs to rule, I recently suggested we see how Brazil's apprentices perform before doubting their pedigree. Eureka!

The team of seven untried internationals needed no protective suit. Drawing against England, losing to the Republic of Ireland, beating Scotland, Finland and Israel, the new Brazilians unveiled joga bonito — the pretty game.

Like Butcher, I'm excited and bemused by Francisco Ernani Lima da Silva (the sobriquet Mirandinha comes from his similarity to the 1974 World Cup center-forward).

Slippery as an electric eel, Mirandinha. But does he deliberately slip the ball through a marker's legs, or is it pure impulse? Has he extrasensory perception, pouncing as he did when a goalkeeper of Peter Shilton's stature let the ball squirm out of his gloves?

The short, sharp shock had the desired effect. Three days later, Mirandinha turned creator in Scotland. Receiving the ball near the halfway line, Mirandinha unleashed a swirling pass from the outer rim of his right boot.

It dropped into Valdo's stride, whereupon the 23-year-old black winger danced left of Richard Gough, swayed right to dump Willie Miller on his backside and slipped the ball beneath goalie Andy Goram. Joga bonito.

But brilliance flickers and fades in Brazilians so quickly that we thrill to them one day and then may see them no more.

Careca will soon want his No. 9 shirt off Mirandinha's back. Juary, a striker whose touch-and-go skill illuminated Porto's European Cup triumph in Vienna, might also challenge.

Porto, like Brazil, built its success on risk, on moments of improvised beauty worth decades of tactical efficiency. Indeed, the Portuguese have an even more inspirational forward, Paulo Futre, whose gifts remind us that his nation gave Brazil both language and movement.

Rarely do we recall that a man of British stock, Charles Miller, introduced Brazilians to soccer.

Scotland, fell to the Republic of Ireland. Dublin provided a diabolical pitch and an ill wind that chilled Latin artistry. Such was the cold that 16 South American broadcasters, following their voluble coo-phany to the world's premier soccer nation, were swathed in scarves and blankets.

Ireland, mauled by 7-0 when last it met Brazil, won deservedly, on a goal from Liam Brady. Brady is a fox of a player, a Dubliner whose midfield skills have been paraded from Arsenal to Italy and back to West Ham.

At 31, he did his share of hustling, which Ireland used to deprive Brazil of the ball.

But Brady has an extra dimension. Seventeen meters (55 feet) from the Brazilian net, he was poised to chip the ball right-footed over goalkeeper Carlos. Then, with the defense mesmerized — and with the time given only to maestros — Brady subtly shifted balance and struck a left-footer low inside the opposite post.

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They are also sons of the land of soccer, sons who may not always defeat us, but who always display skills to bewilder and stimulate our less imaginative minds.

Joga bonito? Anytime, anywhere.

Center-forward Mirandinha, averting Chris Waddle's tackle during Brazil's draw with England.

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Lendl, Evert, Navratilova Gain Semifinals

The Associated Press PARIS — Defending champions Ivan Lendl and Chris Evert swept into the semifinals of the French Open tennis tournament here Tuesday.

Also advancing was Martina Navratilova, the No. 1 women's seed, to set up another meeting in one of the sport's longest-running rivalries.

Losing only three of the last 15 games, Lendl beat Andres Gomez of Ecuador, 5-7, 6-4, 6-1, 6-1, while Evert overpowered Italian Raffaella Reggi, 6-2, 6-2.

On Thursday, Evert will face Navratilova, who breezed past West German Claudia Kohde-Kilsch, 6-1, 6-2. It will be the 72d meeting between the two, but their first in a semifinal since the 1981 U.S. Open.

The day's other semi will pit 17-year-olds Steffi Graf and Gabriela Sabatini, each going for her first major title.

Lendl's semifinal opponent on Friday will be one of two Czechoslovakians, Miloslav Mecir, the No. 5 seed, had a 4-2 opening-set lead against unseeded Karel Novacek when rain suspended the match.

They will continue at the start of play Wednesday, and will be followed by the other two men's quarterfinals — Yannick Noah vs. Wladimir and Jimmy Connors vs. Boris Becker.

Lendl had early problems against Gomez, whom he was meeting for the third time in the quarterfinals here. He had 11 break points in Gomez's first six service games but still lost the opening set.

Gomez hung in for another seven games but, as in 1984 and last year, faded in the latter part of the match. "He can be like a madman at the start, but the chances are he's the one who'll tire out," said Lendl after beating the No. 10 seed for the 13th straight time. "Today was

a carbon copy of our previous matches here.

Saying that the components of his game are as good as Lendl's, Gomez noted a fundamental difference between himself and the world's top-ranked player. "He's in better shape — he's an athlete, and I'm not," said Gomez. "He's fitter, and he takes advantage of the situation. This is the hardest tournament to win because fitness counts as much as tennis."

Evert, the No. 3 seed, dropped only eight points after the 14th-seeded Reggi had won the first two games of the second set.

Taking a 4-0 lead in both sets and losing her serve only once, Navratilova had an easy time in whipping No. 8 Kohde-Kilsch. "Today's practice was the best I've played this year. . . . The ball seemed this big," said Navratilova, holding her hands wide apart.

Evert and Navratilova, who have dominated the women's game for a decade, have met only four times in a grand-slam semifinal; most of their clashes have been for titles.

"I can't believe the match is in the semis," Navratilova said. "It will be harder for both of us. One has to win and play another game, and one has to lose."

"I'll go in and hope to hit well — hard and deep," said Evert. "I hope to serve well. All these things are important against her. I'm in good shape physically."



Top-seed Martina Navratilova: Easy passage to the semifinals.

French Back Sets Mark for Rugby Points

The Associated Press AUCKLAND, New Zealand — Fullback Didier Camberbero scored a world-record 30 points as France thrashed Zimbabwe, 70-12, to qualify for the quarterfinals of the World Cup rugby tournament here Tuesday.

Camberbero scored three tries (12 points) and kicked nine conversions (18).

The test-match record of 27 points had been set two hours earlier by Scotland's Gavin Hastings in a 55-28 rout of Romania. The record before Tuesday had been 26, set by New Zealanders Allan Hewson (against Australia in 1982) and Grant Fox (against Fiji last week).

Injuries cut Zimbabwe down to 14 men for most of the second half as the French piled on the tries.

France and Scotland tied on points in their pool, but France took first place because it had scored more tries in the teams' 20-20 draw last week.

France will play Fiji in a quarterfinal match in Auckland on Sunday; Scotland will meet New Zealand in Christchurch Saturday.

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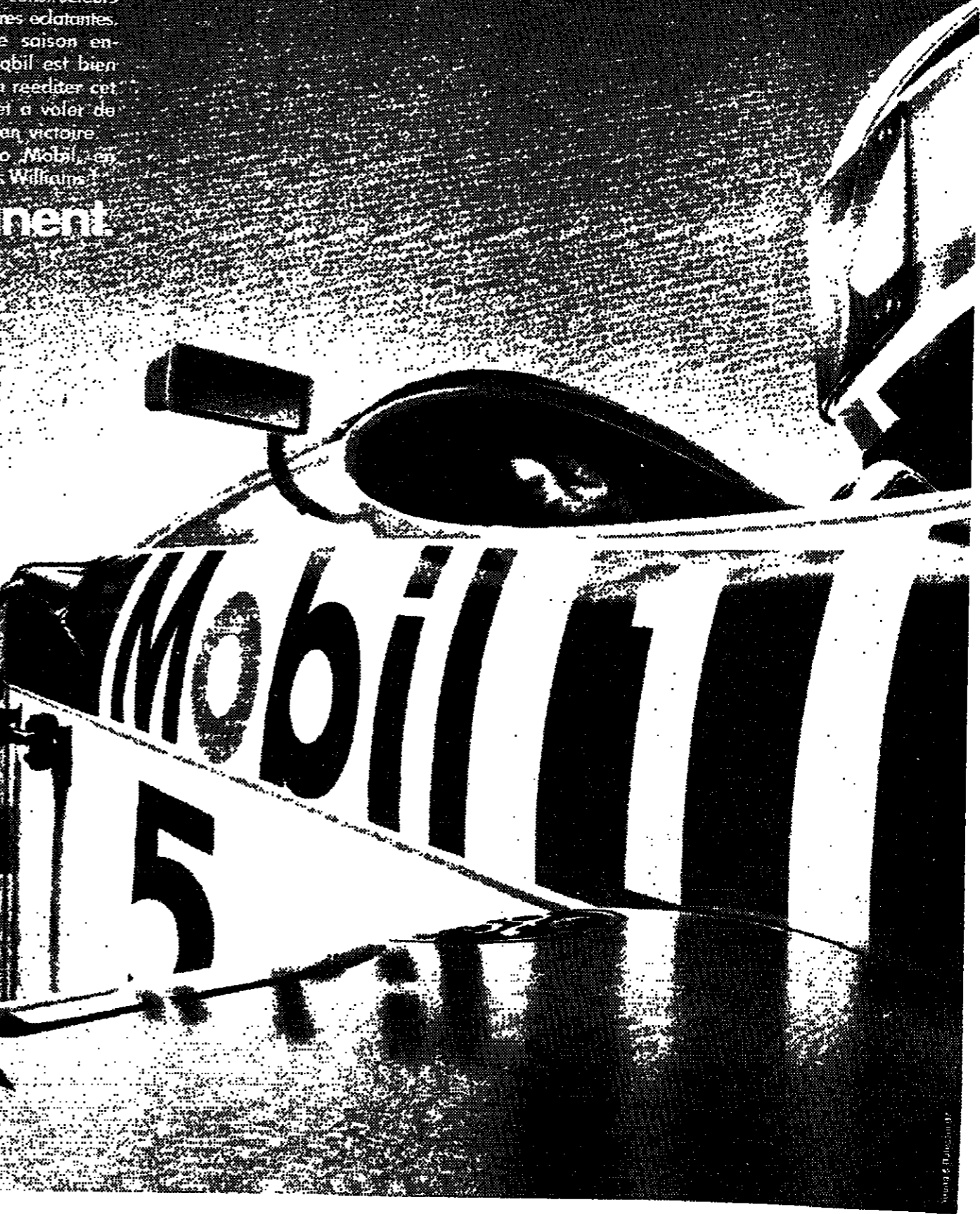
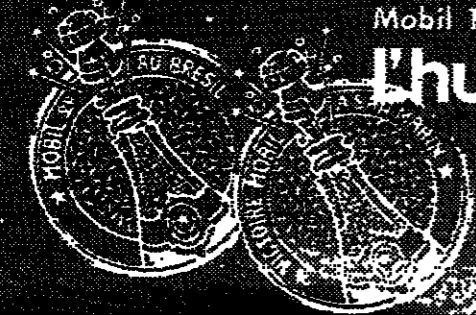
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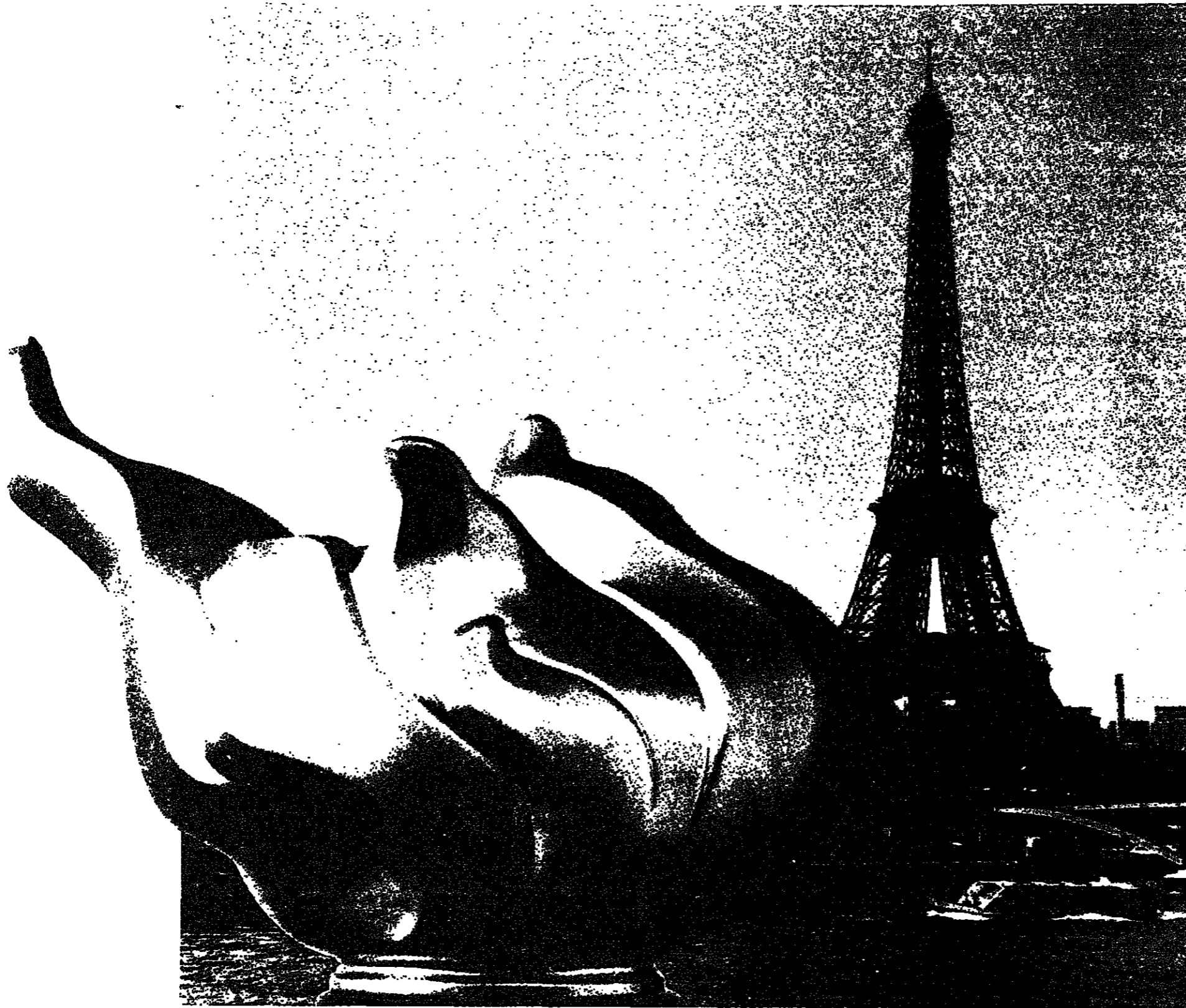
Mobil 1 Formule Rallye est l'huile de synthèse la plus avancée au monde, elle a été inventée pour réduire les frictions à haute température et pour augmenter la puissance et la performance des moteurs.

L'équipe Williams/Honda d'être sacrée championne du monde des constructeurs 1986 en remportant 9 victoires éclatantes. Cette saison encore, Mobil est bien décidé à rééditer cet exploit et à voler de victoire en victoire. Bravo Mobil, en avant les Williams!



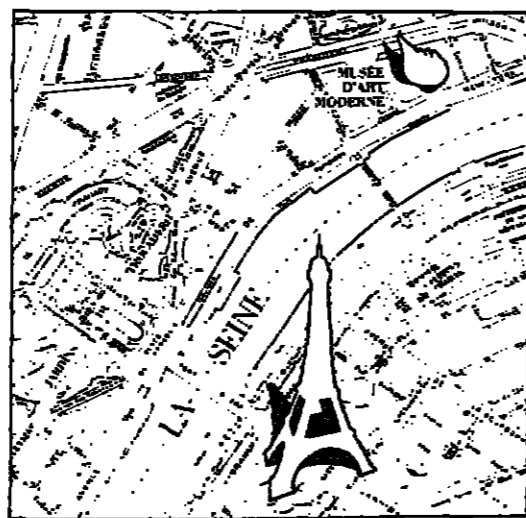
La technologie Mobil 1 a permis à l'huile des moteurs qui gagnent.





THE PARIS LIBERTY FLAME WILL STAND ON THE BANKS OF THE SEINE.

We are pleased to announce that the City of Paris authorities have designated an outstanding site for the Paris Liberty Flame monument: on the Avenue de New York along the Right Bank of the Seine, near the Place de l'Alma next to the *Musée d'Art Moderne* — a central location which means that this monument to Franco-American friendship will be seen every day by thousands of Parisians and visitors to the city.



The Paris Liberty Flame is the exact duplicate of the golden flame atop the outstretched arm of the Statue of Liberty in New York harbor. It was crafted in the United States by *Les Méalliers Champenois*, the same group of outstanding French artists who worked on the New York statue, using the same molds they created for that project.

This monument perpetuates a tradition started over one hundred years ago, when over 100,000 French citizens contributed to the financing of the original Statue of Liberty. A few years later, a group

of Americans then living in France gave as a gift to the French people the reduced-size replica of that Statue which today stands on the Ile aux Cygnes, just a mile downstream from the new Liberty Flame site.

The International Herald Tribune has decided to mark the conjunction of its own centennial with that of the Statue of Liberty by sponsoring an international fundraising appeal to bring the Liberty Flame to Paris.

It is estimated this project will cost about \$400,000. Working together with our co-sponsors, Kevin MacCarthy Associates, an international law firm located in New York City, the IHT has established a non-profit corporation, the *France-America Liberty Fund, Inc.*, as well as a French "association", the *France-America Liberty Fund*, to which tax-deductible contributions can be made in both countries.

The appeal was launched in October of 1986. Over \$200,000 has been raised from contributions in all parts of the world — more than half of the goal.

Founded in Paris on October 4, 1887, the International Herald Tribune is the oldest American newspaper published abroad. Ever mindful of its own deep Paris roots and of the warm relations it has enjoyed throughout the century with the people of France (including many of its own employees, readers and advertisers), the International Herald Tribune is proud to take the lead role in this undertaking.

In doing so, the IHT echoes the role played 100 years ago by Joseph Pulitzer's New York World, when that newspaper sponsored the public fundraising effort for

the Statue of Liberty's monumental pedestal — and thus made it possible to erect the original Statue.

In an age which is too often characterized by rapid swings in popular emotion on both sides of the Atlantic, we feel it is important to reaffirm two truths which have stood the test of time: the fundamental value of Liberty in our way of life and government, and the enduring strength of Franco-American friendship.

The France-America Liberty Fund welcomes contributions of any size and will acknowledge all gifts (unless otherwise instructed by the donors) by publishing periodic announcements listing the names of the contributors in the International Herald Tribune. The names of major donors will be inscribed on a plaque at the base of the monument.

If you wish to make a contribution, you may do so by forwarding the form below.

To: Assn. France-America Liberty Fund
c/o International Herald Tribune
181, Avenue Charles-de-Gaulle
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WEDNESDAY, JUNE 3, 1987

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MADISON AVENUE

McCall's, Pinched for Ads, Chucks Out the Rate Card

By PHILIP H. DOUGHERTY

NEW YORK — McCall's, which is part of the U.S. magazine category most affected by competition from television, is adopting the advertising sales techniques used by broadcasters.

The magazine is one of the "seven sisters" of the women's service field, a group that has had almost no growth in advertising in the last year.

"We want to end the hypocrisy," the magazine's chairman said.

Major advertisers, accustomed to using their clout to get the best deals from broadcasters, are trying to wrest concessions from the print media in a growing trend toward "creative" use of rate cards.

Rate cards traditionally have listed various combinations of ad sizes, pages and related discounts that could be used as a basis to negotiate any situation not covered by the rate card.

Mr. Lang, who said he is a great believer in the sanctity of rate cards, believes that negotiation can be restricted to the women's service magazines, where competitive pressures are the most intense.

McCall's 111 years old, was the first woman's service magazine and was long the leader of the pack.

"If we were the leader, we would be setting a different policy," Mr. Lang said.

Jack Rehm, executive vice president of Meredith, called the "most radical approach I'd ever heard of."

Peter G. Diamandis, president of CBS Magazines, called Mr. Lang's announcement "a bold move."

William T. Kerr, president of the Times Magazine Group, is tacking with the Family Circle rate card.

Bonn Set To Fund Airbus

Sources Predict 5 Billion DM

BONN — West Germany is likely to announce new subsidies Wednesday for Airbus Industrie worth more than 5 billion Deutsche marks (\$2.72 billion).

The funding is likely to disappoint the West German member of the European consortium, Deutsche Airbus GmbH, and its parent, the aerospace company Messerschmitt-Bölkow-Blohm GmbH.

France and Britain have already agreed to help subsidize the planes. But Airbus has been awaiting a signal from West Germany before announcing that it would start building the two jets, which will compete with models developed by the U.S. manufacturers McDonnell Douglas Corp. and Boeing Co.

Spain, the remaining member of the four-nation European consortium, has not been asked to grant funding. The government loans pledged to Airbus have angered the United States, which contends that they constitute unfair subsidies.

Bonn's go-ahead would pave the way for Airbus to announce this month at the Paris air show exactly when it intends to start building the new aircraft.

The long-range A-340 is scheduled to make its first commercial flight in mid-1992 and the medium-range A-330 a year later.

The program is viewed as a crucial bid by Airbus to secure its future in the highly competitive world market by extending its range to include long-haul, low-fuel consumption planes.

The sources said that Bonn's financing package is likely to include development subsidies worth 2.9 billion DM that would be available until 1996, plus a commitment to cover existing debt of 1.9 billion DM.

Airbus says it has received a total of 87 orders, including options, from nine airlines for the A-340 and A-330.

West German Automakers Roll Along

But Industry May Not Match Records of 1986

BONN — The West German car industry celebrated its 100th birthday with a record-breaking 1986 performance at home and is due to turn in another set of solid results in 1987.

But analysts warn that the industry faces continued problems from the strong Deutsche mark, and they predict increasingly aggressive competition in Europe from the Japanese.

On the plus side for the industry, which is West Germany's biggest foreign exchange earner, the analysts are confident that the technical superiority and innovative qualities of the luxury producers will help them maintain a strong market profile.

Most analysts predict that Daimler-Benz AG will perform best this year, but they expect Porsche AG to continue its slide because of the weak U.S. dollar.

They are generally optimistic for Bayerische Motoren Werke AG, but some doubt that VW will match 1986's record profit. Views are mixed on Volkswagen AG, but some analysts take comfort from the fact that Europe's leading car maker seems to have put a major currency scandal behind it.

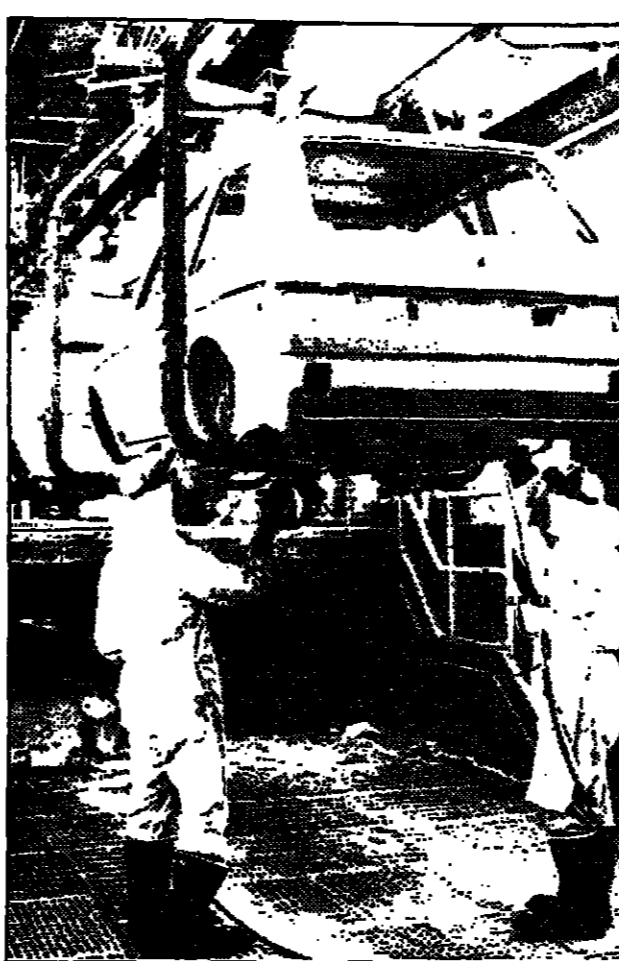
VW might become more vulnerable as Japanese exporters, suffering from the strength of the yen against the dollar, switch their sales offensive from the United States to Europe, the analysts warn.

Joseph Rooney, an analyst with the brokerage firm of James Capel & Co. in London, noted that the Japanese push comes at a time when the European market is expected to contract slightly.

But most analysts expect the German automakers to meet the challenge, even though the Japanese are beginning to focus on the higher-priced sector of the market.

BMW's chairman, Eberhard von Kuenheim, shrugged off the Japanese effort in an interview with Wirtschaftswoche magazine.

"I view the move by the Japanese into the top class with a certain equanimity," he said.



Workers assemble Rabbits in VW's Pennsylvania plant.

"Not only are we playing on home turf, we also have technical superiority."

Domestic registrations jumped last year by nearly 19 percent to a record 2.8 million cars. The industry trade association, Verband der Automobilindustrie, said this might ease to 2.7 million cars in 1987, but predicts another good year.

Looking to the future, Daimler has designated 16 billion DM (\$8.75 billion) for spending on the car sector in the next five years. Its chairman, Werner Breitschwert, says spending is not aimed at quantity but improving high quality technology and accessories.

Stephen Reisman, an analyst with Phillips & Drew in London, said Daimler had the best earnings profile of West German producers, with group per-share profit like to rise to 80 DM from 78.8 DM in 1986.

Analysts are more cautious about VW. Reinhard Fischer, an analyst at the Frankfurt office of Bank in Liechtenstein, said he expects VW's group per-share earnings to fall to 35 DM in 1987 from 42 DM in 1986.

A recent report by Bank in Liechtenstein said that last year's currency losses were a sign of mismanagement. The report also emphasized heavy losses by VW's Brazilian operations and its Spanish unit, SEAT SA.

VW's first-quarter figures also highlighted problems in U.S. and Brazilian operations, analysts say.

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U.S. Orders Rise A Weak 0.2%, Buoyed by Arms

WASHINGTON — Orders to U.S. factories edged up 0.2 percent in April, the poorest showing in three months, the government reported Tuesday.

The Commerce Department said that orders for durable and nondurable manufactured goods climbed \$401 million to \$199.8 billion following a gain of 2.6 percent in March, revised upward from 2.3 percent. The April result was the poorest showing since a 5.3 percent decline in January.

Orders for military hardware climbed 8.1 percent in April following a 43.2 percent increase in March. Without the strength in military orders, demand for manufactured goods would have fallen 0.2 percent in April.

In another report, the Commerce Department said that sales of new homes jumped 7.6 percent in April, the biggest increase since a 11.1 percent gain in December. But analysts attributed the big increase to buyers rushing to close deals before mortgage rates moved any higher.

In its report on factories, the Commerce Department said that orders in the key category of non-military capital goods edged up 0.8 percent in April following a 2 percent gain in March. This category is closely watched for signals it can give about industry plans to expand and modernize production facilities.

Orders for durable goods, items expected to last three or more years, were virtually unchanged at \$106.2 billion. A preliminary report issued May 22 said that durable goods orders rose 0.1 percent in April.

Orders for nondurable goods rose 0.4 percent in April to \$93.6 billion following a 0.8 percent increase in March. Shipments of factory orders fell 1.0 percent in April to \$195.5 billion, offsetting a 0.9 percent increase in March.

New homes were sold at a seasonally adjusted annual rate of 777,000 units in April, the highest annual rate since April 1986. The increase followed a 2.7 percent decline in March, which had originally been reported as a 3.6 percent fall.

U.S. Productivity Climbs 0.5% as Wages Skid 5%

WASHINGTON — The nation's efficiency in producing goods and services improved slightly in the first quarter after less than originally reported, the U.S. Labor Department said Tuesday.

Nonfarm business productivity rose at a seasonally adjusted annual rate of 0.5 percent in January through March, revised from 1.7 percent, as unit labor costs fell for the first time in a year, the Labor Department said.

Hourly labor costs did not change from the fourth quarter of 1986, the bureau said.

And when adjusted for inflation, wages and benefits actually dropped 5 percent, the biggest fall in workers' buying power for each hour of work since a 6.1 percent decline in the first quarter of 1951.

Mortgage rates, after falling to a nine-year low at the end of March, rose sharply in April and continued to climb in May. Fixed-rate, 30-year mortgages, which had dipped to 9 percent in March, have now climbed to a national average of about 10.8 percent.

Analysts said that the continued rise in mortgage rates would dampen new home sales in the future.

The big April gain was accompanied by a drop in prices. The average price of a new home declined 2 percent to \$118,800 in April. The median price of a new home was unchanged in April at \$99,000, the same as the revised March price.

Sales were up in all regions of the country. The biggest increase was a 26.5 percent jump in sales in the Midwest, where homes were sold at an annual rate of 129,000 units.

Sales were up 4.2 percent in the South to an annual rate of 301,000 units.

In its first major acquisition, Greycom, the public relations firm of Grey Advertising, has bought 65 percent of Sterling Public Relations of London. Sterling will retain its name and management, but Harriet Mouchie-Wesley, president of the Greycom international division, and Roger Edwards, chairman of Grey in Britain, will join its board. John Brill, chairman of Sterling, will join Grey's operations group in Britain.

Azarin & Davis of New York and Dugan, Valva Associates See ADS, Page 17

Currency Rates

Table with columns for Currency Rates, including USD, DM, SF, etc. and their respective values.

Interest Rates

Table with columns for Interest Rates, including Eurocurrency Deposits, Key Money Rates, and U.S. Money Market Funds.

Gold

Table with columns for Gold prices, including Home Mine, London, Zurich, and New York.

IF YOU PURSUE EXCELLENCE, ONLY ONE BANK CAN KEEP UP.

For Republic National Bank of New York, the relentless pursuit of excellence has achieved nothing less than excellent results.

Republic has grown to be the 11th largest bank in the United States, in terms of shareholders' equity.



It is active in 19 countries around the world, including the important banking centers of London, Luxembourg, Milan, Paris, Hong Kong, Singapore, Montreal, Tokyo, and of course, New York.

The dedication to excellence of Republic National Bank is a natural



outgrowth of the strong beliefs of its founder and principal shareholder, Edmond J. Safra.

Republic is firmly committed to such sound, traditional banking practices as diversification



and the maintenance of a strong capital base.

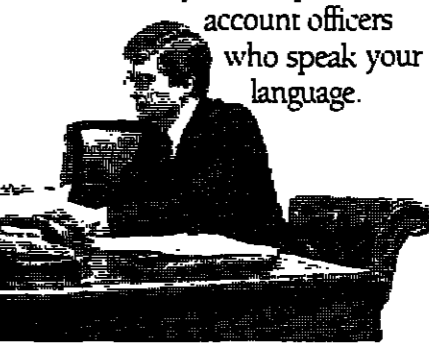
The bank has always been highly selective in lending. It emphasizes very conservative activities, investing in safe and liquid assets and using its extensive expertise to trade profitably in precious metals, foreign exchange, bonds and bank notes.

Underlying every aspect of Republic National Bank's pursuit of excellence is a single, fundamental principle: the protection of depositors' funds.

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your personal finances.

Republic's subsidiary in Luxembourg provides private banking clients with the protection of the stringent banking laws of that country, and experienced account officers



internationally allows you to take advantage of opportunities to better manage your investments on a global scale.

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REPUBLIC NATIONAL BANK OF NEW YORK

A SAFRA BANK

NEW YORK MIAMI LOS ANGELES MONTREAL LONDON PARIS LUXEMBOURG MONTE-CARLO MILAN GIBRALTAR GUERNSEY HONG KONG SINGAPORE TOKYO PANAMA NASSAU BUENOS AIRES SANTIAGO MONTEVIDEO CARACAS MEXICO CITY PUNTA DEL ESTE RIO DE JANEIRO SAO PAULO

FIGURES AS AT DECEMBER 31, 1986: TOTAL ASSETS: US \$ 168 billion SHAREHOLDERS' EQUITY: US \$ 1.6 billion

NYSE Most Actives table with columns for Vol, High, Low, Last, Chg.

Market Sales table with columns for NYSE 4 a.m. volume, NYSE prev. close, etc.

NYSE Index table with columns for High, Low, Close, Chg.

Tuesday's NYSE Closing logo with 'Via The Associated Press' text.

AMEX Diary table with columns for Class, Prev., Total Issues, etc.

NASDAQ Index table with columns for Class, Prev., Total Issues, etc.

AMEX Most Actives table with columns for Vol, High, Low, Last, Chg.

Dow Jones Bond Averages table with columns for Bonds, Utilities, Industrials, Close, Chg.

NYSE Diary table with columns for Class, Prev., Total Issues, etc.

Odd-Lot Trading in N.Y. table with columns for Date, Buy, Sales, etc.

Dow Jones Averages table with columns for Open, High, Low, Last, Chg.

Standard & Poor's Index table with columns for Industrials, Utilities, Finance, etc.

NASDAQ Diary table with columns for Class, Prev., Total Issues, etc.

AMEX Stock Index table with columns for High, Low, Close, Chg.

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Large stock price table with columns for 12 Month High/Low, Div. Yld. PE, etc.

Dow Off in Trendless Trading

NEW YORK — Prices on the New York Stock Exchange were lower Tuesday in trendless trading after a day that opened with news of the nomination of Alan Greenspan to succeed Paul A. Volcker as Federal Reserve chairman.

Large stock price table with columns for 12 Month High/Low, Div. Yld. PE, etc.

United Press International

Peter Furniss, a managing director in the equities trading department at Smith Barney, Harris Upham & Co. said: "The Volcker news came as a shock to the market because, quite frankly, the market viewed Volcker as a source of stability."

Large stock price table with columns for 12 Month High/Low, Div. Yld. PE, etc.

Peter Furniss

He added, "The market doesn't accept shock very well, and it slid 20 points very quickly." But he said the announcement that Mr. Greenspan had been nominated to replace Mr. Volcker was viewed positively.

Large stock price table with columns for 12 Month High/Low, Div. Yld. PE, etc.

Eugene Peroni Jr.

chief technical analyst with Janney Montgomery Scott Inc. in Philadelphia, said the market had already discounted the possibility that Mr. Volcker would choose not to accept a third four-year term.

Large stock price table with columns for 12 Month High/Low, Div. Yld. PE, etc.

Large stock price table with columns for 12 Month High/Low, Div. Yld. PE, etc.

Large stock price table with columns for 12 Month High/Low, Div. Yld. PE, etc.

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Large stock price table with columns for 12 Month High/Low, Div. Yld. PE, etc.

Large stock price table with columns for 12 Month High/Low, Div. Yld. PE, etc.

Handwritten Arabic text: "سوق من الاصل"

(Continued on next left-hand page)

BUSINESS ROUNDUP

Commerzbank Backs VW Managers

Ferdinand Proetzman... FRANKFURT — Volkswagen's managing board received a conditional vote of confidence...

Commerzbank, the third-largest commercial bank in West Germany, tied its support for the board, however, to an independent study...

Stad Rotterdam Buys 20% Of Swiss-Owned Firm, EVM

By Ronald van de Krol... ROTTERDAM — Stad Rotterdam NV, the sixth largest Dutch insurance group, said Tuesday that it is buying a 20 percent stake in Zwitserse Verzekering Maatschappij NV...

Madrid Aloofness to FECSA Worries Foreign Creditors

Reuters... MADRID — Government reluctance to assist FECSA, the debt-ridden private electricity utility, is worrying foreign creditors in Spain.

Allegis Creates A Unit to Sell Canadian Hotels

United Press International... CHICAGO — Allegis Corp. has created a limited partnership to sell selected hotels in Canada through a public offering...

Italy to Merge Telecommunications Firms

By David Brown... Special to the Herald Tribune... ROME — The Italian government approved a key merger Tuesday between public- and private telecommunications interests...

Hanson Posts 97% Profit Rise in First Half

International Herald Tribune... LONDON — Hanson Trust PLC, a British conglomerate with major U.S. interests, nearly doubled pretax profit for the six months that ended March 31...

Immeubles de bureaux à louer ou à vendre: Paris-Boulogne - Rueil - Levallois - Issy.

BOUYGUES IMMOBILIER (1) 48 25 44 77... Immeubles de bureaux à louer ou à vendre: Paris-Boulogne - Rueil - Levallois - Issy.

ADS: McCall's Moves

Continued from first finance page... Fairfield, New Jersey, will share responsibility for the Melitta account. Melitta is a subsidiary of Aliga-Werke Bentz & Sohn of India, West Germany...

The Carlyle Hotel... Madison Avenue at 75th Street, New York 10021. Cable: The Carlyle New York. Telephone: 212-744-1500. Toll Free 1-800-CARLYLE.

Asia Pacific Growth Fund... Weekly net asset value on 29-3-1987 U.S. \$7.08. Listed on the Amsterdam Stock Exchange.

COMMITTED TO GROWTH IN THE GCC... Commitment — the driving force behind the spirit of enterprise at Gulf Investment Corporation. Commitment to assisting the diversification and expansion of the economies of the Gulf Co-operation Council (GCC) countries.

Oil and Money Conference London

Note these dates in your calendar now! The eighth International Herald Tribune/Oil Daily conference on "Oil and Money in the Eighties" will take place on October 22 and 23 in London.

Komatsu Ltd. (Kabushiki Kaisha Komatsu Seisakusho) 7 1/2% Convertible Debentures due June 30, 1990. NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of July 1, 1975...

HERALD TRIBUNE... Notice of Redemption and Termination of Conversion Rights. Komatsu Ltd. (Kabushiki Kaisha Komatsu Seisakusho) 7 1/2% Convertible Debentures due June 30, 1990.

Petromin

TENDER NOTICE

Preliminary to the invitation of international qualified bids, the General Petroleum & Mineral Organization, "PETROMIN", invites manufacturers of chemical additives to submit prequalification applications to provide PETROMIN's subsidiaries and factories with quantities required for the blending of about one million barrels of lubricants and greases for use by petrol, diesel, and marine engines as well as other industrial machinery.

Conditions for Prequalification:

THE PREQUALIFYING COMPANY SHOULD:

- 1. Be the original manufacturers of the chemical additives.
2. Have research and development facilities and capability in the field of processing chemical additives to cope with the developing international qualifications.
3. Present proof of his experience and evidence of his activities in this field during the last five years as a minimum.
4. Undertake to carry out at his expense, in co-ordination with PETROMIN, performance tests using PETROMIN's base stocks of "LUBREF" and submit the required certificates testifying that they conform to international qualifications such as those of the American Petroleum Institute.
5. Initially undertake to submit proposed chemical formulations up to the level of the required performance and also the results of quality performance tests using base stocks similar to LUBREF's Lubricants as shown by computer simulations.
6. Undertake to provide after-sale services in connection with improving the standard and level of performance of the Lubricants to cope with developments in this field.
7. Submit a copy of their constituting by-laws and a statement of their financial position for the last two years.
8. Should not be boycotted according to Saudi Regulations.

All prequalification applications should be submitted to the General Petroleum & Mineral Organization, "PETROMIN", Riyadh 11189, Kingdom of Saudi Arabia, Fax No. 4792849, Telex No. 401058 S.J. (401490) - (402802) - (401615) S.J. in sealed envelopes addressed as follows:

"Prequalification for Supply of Chemical Additives"

Attention: Legal Advisor / Faisal Al-Jarba

All enquires should also be sent to the same address.

The last date for submitting applications is Saturday the 1st of Dhul Quida corresponding to 27/6/1987.

Only companies and organizations qualified in accordance with the above conditions will be invited to tender.

Tuesday's NYSE Closing

Table of NYSE closing prices for various stocks including Dow Jones, S&P 500, and individual company shares like American Express, AT&T, and General Electric.

Save 40% or more off your newsstand price when you subscribe for 12 months to the International Herald Tribune.

Table showing subscription rates for 12, 6, and 3 months for various countries/currencies, including Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and Rest of Europe/Africa.

Advertisement for International Herald Tribune subscription, including contact information for the Subscription Manager, a form for entering subscription details, and a list of payment methods (Access, American Express, Diners Club, Euro Card, MasterCard, VISA).

Soviet Economist Calls For Pricing Reforms

MOSCOW — A leading Soviet economist called Tuesday for Soviet prices to reflect those on world markets and for an end to state subsidies, attacking the officially accepted wisdom concerning prices in the Soviet Union. In an article published in Konsumskaya Pravda, the economist, Rustam Khasbulatov, criticized the "false reasoning" according to which Soviet nationals had high disposable incomes, owing to low prices of staple goods, compared with those in the West. Noting that 40 percent of the working population had incomes of less than 100 rubles (officially, \$159) a month, Mr. Khasbulatov, a professor at the Moscow Economics Institute, said that Russians spent more of their budget than Westerners on food and paid higher prices for a range of articles than people in the West. Concerning food prices, the economist said that a Soviet household spends much more than the 15 to 35 percent of the monthly wage spent by Westerners on food. He said the same was also true for percentages of income spent on books, toys and children's clothes. Soviet consumers were the victims of heavy state subsidies that in 10 years had ballooned to 50 million rubles annually from 20 million rubles. "Agricultural efficiency is not improving," Mr. Khasbulatov said, "and we try to compensate the increase in subsidies by increasing prices." The price of potatoes, he recently noted, without warning by 100 percent, and the price of children's shoes increased 60 percent from 1970 to 1985. "State subsidies should have been ended a long time ago," he said, blaming many of the problems faced by the economy today on the legacy of the Brezhnev years of the 1970s. The economist complained that the "old mentality" had not changed, and that young people had become cynical, refusing to participate in the current economic reforms because of this "dangerous sickness." Mr. Khasbulatov concluded that world market prices should be taken into account in the Soviet Union, that the wide difference existing cost should be narrowed, and that a "radical change" in price-fixing was required.

NYSE High-Lows

Table of NYSE high and low prices for various stocks, including American Express, AT&T, and General Electric.

AMEX High-Lows

Table of AMEX high and low prices for various stocks, including American Express, AT&T, and General Electric.

Company Results

Table of company results for various firms, including American Express, AT&T, and General Electric, showing revenue and profit for 1986 and 1987.

Stock Prices Plummet in Taipei

TAIPEI — Prices on Taiwan's stock market fell a record 75.53 points Tuesday as the Central Bank of China took new measures to curb the inflow of speculative funds from abroad. Borrowing abroad by authorized foreign exchange banks was fixed by the central bank Tuesday at the levels of May 30, for the month. A market official said the fall could have been linked to the government move. In recent months, speculators have been betting that Taiwan officials will be forced to revalue the local currency against the U.S. dollar.

Handwritten note in Arabic script at the bottom right of the page.



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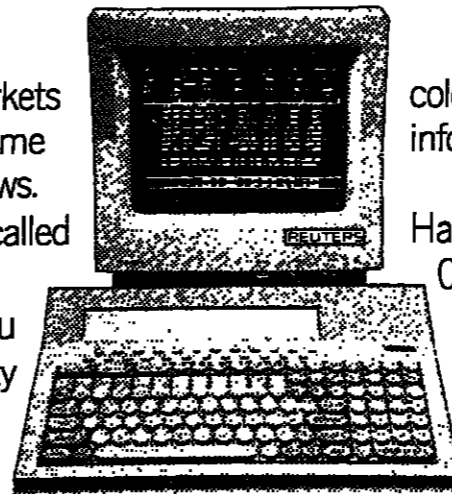
No other service can match it. After five years dedicated research and development it is designed to meet the needs caused by deregulation of the equities markets.

With Equities 2000 you are connected to the world's markets as they trade. In addition to floor-quoted instruments, you will have access to off-floor

quotations, foreign exchange, capital markets and futures, together with both real-time market news and historical company news.

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Equities 2000 has all the data you could want, but with the added flexibility to select, format, monitor, compare and store only the facts you need. It is in



colour, too, so you can pick out the relevant information quickly and easily.

For further information contact Roger Hawkins or Rupert Rowbotham on 01-324 7469/324 8182, Reuters Limited, 85 Fleet Street, London EC4P 4AJ.

With Equities 2000, around the clock international equities trading is now a reality.



2000 AND BEYOND

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Tuesdays AMEX Closing Tables include the following prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

Table A: AMEX Closing. Lists various stock prices with columns for High, Low, Close, and Change. Includes symbols like ABIN, ABL, ADI, etc.

Table B: AMEX Closing. Continuation of stock prices with columns for High, Low, Close, and Change. Includes symbols like ABL, ADI, AEG, etc.

Table C: AMEX Closing. Continuation of stock prices with columns for High, Low, Close, and Change. Includes symbols like ABL, ADI, AEG, etc.

Table D: AMEX Closing. Continuation of stock prices with columns for High, Low, Close, and Change. Includes symbols like ABL, ADI, AEG, etc.

Table E: AMEX Closing. Continuation of stock prices with columns for High, Low, Close, and Change. Includes symbols like ABL, ADI, AEG, etc.

Table F: AMEX Closing. Continuation of stock prices with columns for High, Low, Close, and Change. Includes symbols like ABL, ADI, AEG, etc.

Table G: AMEX Closing. Continuation of stock prices with columns for High, Low, Close, and Change. Includes symbols like ABL, ADI, AEG, etc.

Table H: AMEX Closing. Continuation of stock prices with columns for High, Low, Close, and Change. Includes symbols like ABL, ADI, AEG, etc.

Table I: AMEX Closing. Continuation of stock prices with columns for High, Low, Close, and Change. Includes symbols like ABL, ADI, AEG, etc.

Table J: AMEX Closing. Continuation of stock prices with columns for High, Low, Close, and Change. Includes symbols like ABL, ADI, AEG, etc.

Table K: AMEX Closing. Continuation of stock prices with columns for High, Low, Close, and Change. Includes symbols like ABL, ADI, AEG, etc.

Table L: AMEX Closing. Continuation of stock prices with columns for High, Low, Close, and Change. Includes symbols like ABL, ADI, AEG, etc.

Table M: AMEX Closing. Continuation of stock prices with columns for High, Low, Close, and Change. Includes symbols like ABL, ADI, AEG, etc.

Table N: AMEX Closing. Continuation of stock prices with columns for High, Low, Close, and Change. Includes symbols like ABL, ADI, AEG, etc.

Table O: AMEX Closing. Continuation of stock prices with columns for High, Low, Close, and Change. Includes symbols like ABL, ADI, AEG, etc.

Table P: AMEX Closing. Continuation of stock prices with columns for High, Low, Close, and Change. Includes symbols like ABL, ADI, AEG, etc.

Table Q: AMEX Closing. Continuation of stock prices with columns for High, Low, Close, and Change. Includes symbols like ABL, ADI, AEG, etc.

Table R: AMEX Closing. Continuation of stock prices with columns for High, Low, Close, and Change. Includes symbols like ABL, ADI, AEG, etc.

Table S: AMEX Closing. Continuation of stock prices with columns for High, Low, Close, and Change. Includes symbols like ABL, ADI, AEG, etc.

Table T: AMEX Closing. Continuation of stock prices with columns for High, Low, Close, and Change. Includes symbols like ABL, ADI, AEG, etc.

Table U: AMEX Closing. Continuation of stock prices with columns for High, Low, Close, and Change. Includes symbols like ABL, ADI, AEG, etc.

INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 2nd June 1987

The following table indicates frequency of quotations supplied: (1) - daily; (2) - weekly; (3) - bi-monthly; (4) - quarterly; (5) - irregularly.

Table of International Funds. Columns include fund name, currency, and price. Includes sections for AL MAIL MANAGEMENT, INTERNATIONAL INCOME FUND, G.P. MANAGEMENT (UK) LDC, PACIFIC INTL. FUNDS, and OTHER FUNDS.

Floating-Rate Notes

Table of Floating-Rate Notes. Columns include issuer, coupon rate, bid price, and ask price. Includes entries for Alpha Finance, Allied Irish, American Express, etc.

TO THE NOTE HOLDERS OF EXPORT DEVELOPMENT CORPORATION

9 1/4% NOTES DUE MARCH 1, 1984 SERIES JU. NOTICE IS HEREBY GIVEN THAT WITH EFFECT FROM MAY 31ST, 1987, BANK OF MONTREAL FRANKFURT BRANCH, WEST GERMANY WILL CEASE ACTING AS A PAYING AGENT IN RESPECT OF THE ABOVE MENTIONED ISSUE. HOLDERS OF MATURING BONDS AND COUPONS SHOULD PRESENT SAID ITEMS TO ONE OF THE OTHER PAYING AGENTS LISTED ON THE COUPON.

Dollars

Table of Dollars. Lists various dollar-denominated securities and their prices.

Pounds Sterling

Table of Pounds Sterling. Lists various sterling-denominated securities and their prices.

Deutsche Marks

Table of Deutsche Marks. Lists various mark-denominated securities and their prices.

Japanese Yen

Table of Japanese Yen. Lists various yen-denominated securities and their prices.

E.C.U.

Table of E.C.U. Lists various ECU-denominated securities and their prices.

Other Securities

Table of Other Securities. Lists various international securities and their prices.

U.S. Futures

Table of U.S. Futures including Grains, Soybeans, and Cattle. Columns include contract type, month, price, and change.

Table of Metals including Copper, Aluminum, Silver, and Gold. Columns include contract type, month, price, and change.

Table of Livestock including Cattle, Hogs, and Pigs. Columns include contract type, month, price, and change.

Table of Currency Options including Philadelphia Exchange and various currency contracts.

Table of Financial instruments including US Treasury Bills and T-Bonds.

Table of DM Futures Options including German Mark contracts.

Table of U.S. Treasuries including various government securities.

BUSINESS PEOPLE

Ridgeway Quits as Braniff President

By Arthur Higbee. Ronald L. Ridgeway, who took over the reins of Braniff Inc. in 1984 after the airline emerged from bankruptcy proceedings and returned it to profitability in 1985, has resigned as president and chief operating officer.

GERMAN: Good Outlook for 1987

(Continued from first finance page) drop of 46.5 percent in Brazilian sales. Mr. Reiman was more optimistic than Bank in Liechtenstein about VW's 1987 group earnings outlook.

Maier Resigns At KaiserTech

International Herald Tribune OAKLAND, California — Cornell C. Maier is resigning as chairman and chief executive of the reorganized Kaiser Aluminum & Chemical Corp.

BA Growth Prospects Catch Attention of U.S. Analysts

CHICAGO — British Airways faces increasing competition from U.S. carriers this year for travelers to Europe, but its revenue prospects are good enough to have drawn the attention of American analysts.

Paris Commodities

Table of Paris Commodities including Sugar and Cocoa.

London Commodities

Table of London Commodities including Sugar and Cocoa.

Dividends

Table of Dividends for various companies.

Spot Commodities

Table of Spot Commodities including Aluminum and Copper.

S&P 100 Index Options

Table of S&P 100 Index Options.

DM Futures Options

Table of DM Futures Options.

U.S. Treasuries

Table of U.S. Treasuries.

Market Guide

Table of Market Guide including Moody's and Dow Jones.

London Metals

Table of London Metals including Aluminum and Lead.

World Stocks in Review

Table of World Stocks in Review.

WORLD STOCKS IN REVIEW IN THE IHT EVERY MONDAY. A CONCISE OVERVIEW OF TRADING ON MAJOR WORLD STOCK MARKETS DURING THE PREVIOUS WEEK AND A LOOK AT LIKELY DEVELOPMENTS AHEAD.

FROM TODAY WE ARE CLOSER TO YOU! OKASAN SECURITIES, one of the leading securities companies in Japan, is pleased to announce the opening of its Paris Representative Office at 4 Rue, Saint Florentin.

THE VOLCKER BOMBSHELL: Decision to quit Fed stuns markets, revives fears of inflation

VOLCKER: Fed Chief Quits, Greenspan Nominated

(Continued from Page 1)
chomping on the cigar that has become his trademark.
Mr. Reagan called Mr. Greenspan late Monday afternoon and offered him the post. In announcing the appointment, the president said, "My dedication to our fight to hold down the forces of inflation remains as strong as ever, and I know that Dr. Greenspan shares that same commitment."

moderate conservative. He is close to Treasury Secretary James A. Baker 3d, another veteran of the Ford administration.
Mr. Reagan was asked Tuesday whether Mr. Greenspan had given him a pledge that he would not raise interest rates during the 1988 election campaign. The president declined to answer any questions about the appointment, and Mr. Greenspan said he would not comment on substantive matters until his Senate confirmation hearings.

Nixon and Mr. Ford would make him a worthy replacement.
"Alan's knowledge of the economy, coupled with his experience at the top levels of government, means that the leadership of the Federal Reserve Board will be in good hands," Mr. Dole said. "Alan literally has some big shoes to fill. But I haven't any doubts he's more than equal to the task."

Text of Volcker Resignation

WASHINGTON — Following is the full text of Federal Reserve Board Chairman Paul A. Volcker's letter to President Ronald Reagan:
Dear Mr. President:
As the end of my term as chairman of the Federal Reserve Board approaches, you naturally have to consider an appropriate replacement.
In that connection, you will recall that, upon my reappointment as chairman in 1983, I felt unable to make a firm commitment to you or to the Congress to remain in office for a second full four-year term. Despite my reservations at the time, that term is in fact now almost finished. However, I do think, after eight years as chairman, a natural time has now come for me to return to private life as soon as reasonably convenient and consistent with an orderly transition. Consequently, I do not desire reappointment as chairman and I plan to resign as governor when a new chairman is prepared to assume office.

A 'Free-Enterpriser' for the Fed

But Volcker's Successor Is Considered No Dogmatist
deteriorate or even collapse" during the last days of the administration.
He arrived in Washington expecting to be there for a short time. Mr. Nixon was gone within a month, but Mr. Greenspan stayed through the Ford administration.
After finishing his tenure in January 1977, he returned to his New York-based Townsend-Greenspan & Co. economics consulting company. He has served on the boards of Aluminum Co. of America, General Foods Corp. and Mobil Corp.
He was credited with writing Mr. Reagan's major economic policy statement in the 1980 campaign, an attempt to demonstrate that tough spending cuts and big tax reductions could add up to a balanced budget. After the election, he tangled with so-called supply siders, who were less concerned with balanced budgets than tax cuts.
"Greenspan is a very conservative guy, a tight money guy," said Michael Evans, a private economist and analyst in Washington. "So the policies of the Fed probably will not change very much, even with Volcker gone. After all, the alternative was appointing some type of easy-money guy who thinks interest rates have been too high for the past few years," Mr. Evans added.
Over the years, Mr. Greenspan has built a reputation as a "free-enterpriser," who believes in as little government intervention in the economy as possible.
He is a devotee of Adam Smith, whose "The Wealth of Nations" published in 1776 espoused laissez-faire theories and influenced the classical school of economics and the Ayn Rand, the author of "The Fountainhead" and other novels, who espoused the theory of "rational selfishness."
"His theoretical viewpoints are less well known. He's a conservative, he's free-market oriented," said Robert G. Dederick, chief economist for Northern Trust Co. in Chicago. (UPI, AP)

MARKETS: Initial Storm of Reaction Subsides, Leaving a Nervous Calm

(Continued from Page 1)
be forced by markets to show his mettle and keep interest rates from declining. The Treasury's key 30-year bond ended the day more than 3 points lower, or more than \$30 lower for each \$1,000 in face amount.
Coordinated intervention by the Federal Reserve Bank of New York and the Bundesbank was important in restoring calm to the markets after the initial panic, dealers reported, but there was no immediate estimate on how much they the central banks spent.
As dealers in Frankfurt, London and New York repeatedly said, the market knew they were around. The dealers characterized the foreign exchange market's reaction as chaotic and unruly.

Mr. Volcker has made clear his view that the dollar's depreciation has gone far enough, while Mr. Greenspan has spoken about the need for a further decline. But Mr. Greenspan's first official pronouncement Tuesday was that there was evidence that the dollar had finally bottomed out.
"He's a negotiator," said Rimmer de Vries, chief economist of Morgan Guaranty Trust, said of Mr. Greenspan.
In Mr. de Vries's view, this is an essential quality, as Mr. Greenspan's major challenge will be to "break the impasse" — with President Ronald Reagan on the need to raise U.S. taxes, with key congressmen on the need to reduce spending and with West Germany and Japan on the need to boost world economic growth.
Henry Kaufman, senior econo-

mist at Salomon Brothers in New York, said Mr. Greenspan's nomination was bearish in the near term for the fixed income and currency markets.
Mr. Greenspan is most knowledgeable on the behavior of the U.S. economy, while his professional skills in the international area are much more limited, Mr. Kaufman noted.
Praise for Mr. Volcker, who has been Fed chairman since 1979 and is credited with breaking the inflation of the early 1980s, was heard everywhere.
The chancellor of the Exchequer, Nigel Lawson, was quoted by a British Treasury spokesman as saying Mr. Volcker had been an outstanding chairman who would be greatly missed. Mr. Lawson called Mr. Greenspan an excellent suc-

cessor and said he saw no reason to expect a change in policy.
Even before the news of Mr. Volcker's departure, the dollar had been weakening and gold rising from the levels set Monday in New York.
The news broke at 10 A.M. in Washington, shortly before European markets closed. Dollar rates promptly fell sharply in Europe.
In Europe, the dollar was fixed at 1.8159 DM in Frankfurt, down from 1.8377 Monday, and at 6.060 French francs in Paris, down from 6.1240. In Zurich, the dollar closed at 1.4923 Swiss francs, down from 1.5213 Monday.
In London, the dollar closed at 1.8070 DM, compared with 1.8325 Monday, and at 142 yen, down from 145.35. Sterling closed at \$1.6430, down from \$1.6250.

As a young man, Mr. Greenspan played the saxophone with Henry Jerome's touring orchestra. On the road, he once recalled, he decided "economies held a brighter future than the music business." He returned home to New York and became an honors student at NYU, from which he also holds bachelor's and master's degrees.
He entered politics as a supporter of Mr. Nixon and director of domestic policy research for his 1968 campaign and was a consultant to the President's Council of Economic Advisors beginning in 1970. He was reported to have turned down three offers of the panel's chairmanship before accepting the job in 1974, during the final days of Watergate.
Mr. Greenspan had said he finally took the job because he felt convinced there was "a danger the normal process of government would

Greenspan on the Economy: A Sampler

WASHINGTON — Selected comments by Alan Greenspan, nominated Tuesday to be chairman of the Federal Reserve Board:
Dollar
Asked Tuesday if the dollar had reached a low point against other major currencies, Mr. Greenspan said: "There certainly is evidence in that direction."
"The dollar's move [rebound] this week is a technical reaction. Over the long run the dollar will be significantly lower." — May 27, 1987.
Inflation
"It has got the same characteristics as alcohol: It's great when you first swig. The problems occur later." — Oct. 17, 1980.
"Is it clear that a high priority of the Reagan administration must be to make it credible to the financial community and all others that inflation will not be allowed to be an entrenched element in the American economy?" — Nov. 6, 1980.
Budget Deficits
"Get to the question, can we persist with this low inflation with federal budget deficits at current levels? And my answer is no." — Sept. 16, 1984.
Interest Rates
"We may be getting to the point where business is reluctant to expand plant and equipment with borrowed money for fear that if the investments should not be productive, they couldn't pay the service costs on the money they borrowed." — July 17, 1986.

Tuesday's OTC Prices
NASDAQ prices as of 4 P.M. New York time.
In The Associated Press.

Table with columns: 12 Month High/Low, Div. Yld., Sales in 100s, High/Low, P.A. CHG., Net High/Low. Lists various stocks like A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

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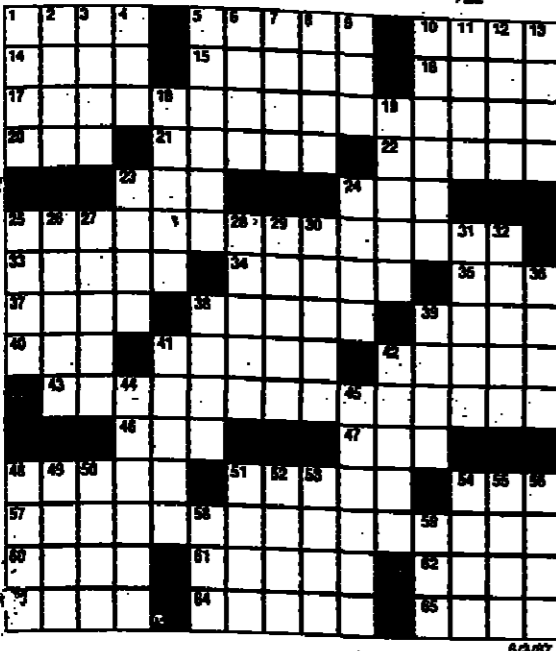
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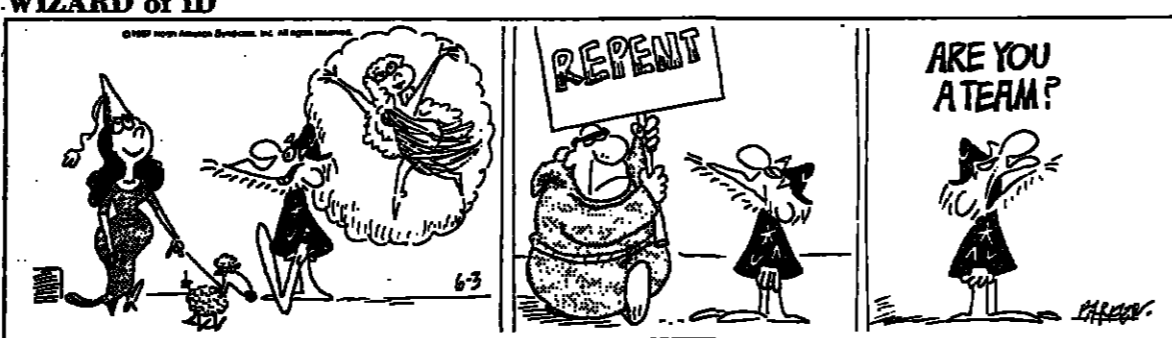
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Large table with multiple columns and rows, likely a continuation of the stock price data or a different set of financial information.





ACROSS 1 Shank 5 Weizmann, first president of Israel 10 Drill for Pavlov 14 Kind of dynamics 15 Medieval merchants' guild 16 Water carrier 17 Mary 20 Ethyl follower 21 Synthetic fabric 22 Air Force general in W.W. I 23 King of a grapple 24 Spring mo. 25 Mary 33 Washington's successor 34 Top ratings 35 Umbrella part 37 Adjective for a pittance 38 Young haddock 39 Trademark 40 Greek letter 41 Money in Bangkok 42 Carnegie, often 43 Mary 46 Female rabbit 47 Simian 48 Dutch genre painter



JUMBLE THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee Unscramble these four Jumbles, one letter to each square, to form four ordinary words. DYIR YONJE CEXIES PHATAY

Print answer here: (Answers tomorrow)

WEATHER table with columns for EUROPE, ASIA, AFRICA, LATIN AMERICA, NORTH AMERICA, MIDDLE EAST, OCEANIA. Includes high, low, and forecast information.

World Stock Markets

Table of World Stock Markets with columns for Amsterdam, London, Frankfurt, Zurich, Tokyo, and other international markets. Includes closing prices and indices.

BOOKS A NOT ENTIRELY BENIGN PROCEDURE: Four Years as a Medical Student By Petri Klass. 256 pages. \$18.95. The Putnam Publishing Group Inc., 200 Madison Avenue, New York, N. Y. 10016.

UNDER THE ETHER DOME: A Physician's Apprenticeship at Massachusetts General Hospital By Stephen A. Hoffmann, M.D. 300 pages. \$18.95. Charles Scribner's Sons, 597 Fifth Avenue, New York, N. Y. 10017.

Reviewed by Robin Marantz Henig HOW many Harvard medical students does it take to change a light bulb? asks Petri Klass in her book about Harvard Medical School. "A Not Entirely Benign Procedure." The answer: "One, to stand there and hold it while the world revolves around him."

WAND SIEDER SOAR ALOE ALIVE TIME GIST DEVIATED THECAVANAUGHS NOTE LIE STATES CHESSMAN PILED CHAM ON AMOS AAR BUNK CON BASTIE DIONE ENGRAVER LAUDED ANTI WONG BARNARDHUGES REGISTERED TRIM CART ENIGMA UNDO ADAY SOBER PEEP

BRIDGE

By Alan Truscott DEFENDERS are always guided by a simple assumption, that the opposing declarer is playing normally. So a declarer who plays abnormally can often get away with it. A fine example is the diagram deal from the New York City final of the Grand National Teams last February.

Table of Toronto and Zurich stock markets. Includes columns for High, Low, Close, and Change for various stocks and indices.

Vertical text on the right edge of the page, possibly a page number or a small advertisement.

Reagan vs. Welfare Cats

By Russell Baker NEW YORK — It's been an unending spring in the U.S. Supreme Court. There was some mild interest, of course, when the court ruled there was nothing terribly unconstitutional about fining the death penalty pretty much to black people.

There is a story that Ed blew his stack at Ernest Twit on this subject and said, "Twit, don't you realize that if we start jailing justices for not knowing who got elected president by a landslide, we might have to start jailing presidents for not knowing what's going on at the White House?"

True story or not, Twit is so huffy that he refused to appear on "The MacNeil-Lehrer NewsHour" to praise the court's ruling in U.S. vs. Bag Lady.

This was the case in which the court ruled it wouldn't hurt the Constitution much to make the homeless go to summer school. Sniffing a potential controversy, the MacNeil-Lehrer people booked a homeless octogenarian to rail at the court's decision.

Always sensitive to public television's politically hazardous situation, they didn't dare let a homeless old gent blast the court without giving equal time to a magnificently housed young Twit ready to praise it.

"Get Twit!" is the cry that rings through the MacNeil-Lehrer newsroom in these predicaments. Twit, though, wouldn't come when asked to tell the audience how constitutional it would be to fill summer schoolyards with unshowered people.

The schoolyard aspect of the case troubled a lot of Twit's tennis-playing pals at the Justice Department. Though arguing the homeless go to summer school, the court ruled that the administration wasn't obliged to bust its budget by opening schoolrooms and holding classes.

Foreseeable result: school grounds packed with homeless people all summer between 9 in the morning and 3 P.M. As many splendidly housed prosecutors noted, this could result in tennis courts at better schools being turned into unsightly messes covered with unfolded plastic bedsheets.

Twit hadn't previously declined to defend a constitutional position dictated by the Reagan landslide. Did some hardship overtake him and change his constitutional views? His memoir, "The Making of a Twit," describes both the hardships of his life: (1) An encounter with a law-school admissions officer who had never heard of Great-Grandfather Phineas Twit, founder of the family foundry fortune, and (2) his wedding ceremony at which a liberal Republican — Nelson Rockefeller — winked at the bride, the present Mrs. Twit.

All that is neither here nor there, as the constitutional lawyers say, and would hardly be worth mentioning if the Supreme Court were not expected to rule any day now in the case of U.S. vs. Welfare Cats.

Constitutional scholars had no doubt at first how the court would rule in this case. The central question is, can children of mothers going on welfare be constitutionally required to send their cats to the pound?

Great interest in this case had been created by President Reagan's constant retelling of his famous "welfare cat" story about a female welfare chiseler taking her cat to the liquor store in a Cadillac to get the persnickety beast a bottle of Grand Marnier.

The court majority capable of knowing that the president enjoyed a landslide in 1984 was naturally expected to uphold the constitutionality of sending welfare cats to the pound, but now the Republican National Committee is reported deeply worried.

They say the president loves the welfare-cat story, knows it so well he can tell it in his sleep, and doubts he can memorize another story that good to tell in the 1988 campaign. Result: heavy betting that the court will let the kids keep the cats.

Only Twit can persuasively explain why that's what the Founders had in mind when they wrote the Constitution. But he will quit sulking: More to come.

By Richard Harrington Washington Post Service WASHINGTON — The first thing Phil Collins did when he got to RFK Stadium was walk from the huge stage at the west end across a field that's normally home to grunting behemoths, through some of the 50,000 empty seats that would be filled that night for a Genesis concert, and go up into the stands to take a picture of the empty stadium. Proof, he calls it, and right now Collins's growing collection of photos of empty stadiums is proof that Genesis has — after 19 years, 16 albums, some awkward personnel changes and late-blooming solo careers — emerged as one of the world's supergroups.

"It's just naive enthusiasm from having been here the first time," says Collins. "This is not going to happen again, probably. Who knows? That's what my attitude is. What were the chances of my playing the stadiums I'd watched on television sports? I think, 'Here I am at the Redskins stadium' or in Los Angeles at Dodgers Stadium, I saw a film of Elton John here and now here I am."

"So I take shots from as high up at the back as possible, just to get the expanse of the thing, because when you say to someone, 'We played a football stadium,' they'll say 'Oh. Then I'll go. Yeah, but look at this, this is how small the stage was.'"

Small is relative, of course. The "small" stage at RFK Stadium took four days to construct and held 75 tons of equipment, including five tractor-trailer trucks' worth of computer-driven lights.

Another Genesis stage, meanwhile, was being set up at the next stop, part of a world tour that started last September and will end in July after 183 concerts — at which point about five million people will have paid to see Genesis.

Not bad for a band that came together in 1966. The original members Peter Gabriel and Anthony Phillips (both long gone), Michael Rutherford and Tony Banks were all between 15 and 16, students at England's exclusive Charterhouse boys' school. Their first single came out in 1968: Their first album, "From Genesis to Revelation" (a sweetly naive interpretation of evolution), sold 600 copies.

But they soon became a full-crum of the sprawling and influential English art-rock movement, along with Yes, Emerson, Lake and Palmer, Jethro Tull, King Crimson and others who championed a "progressive" brand of complex music and lengthy lyrics, usually in long-winded forms. Over the years, Genesis's following has grown from a small worldwide cult to a larger worldwide cult to a huge worldwide cult. Yet while each new album outsold its predecessor, the group didn't get its first No. 1 single and album in the United States until "Invisible Touch" (still a Top 20 album almost a year after its release).

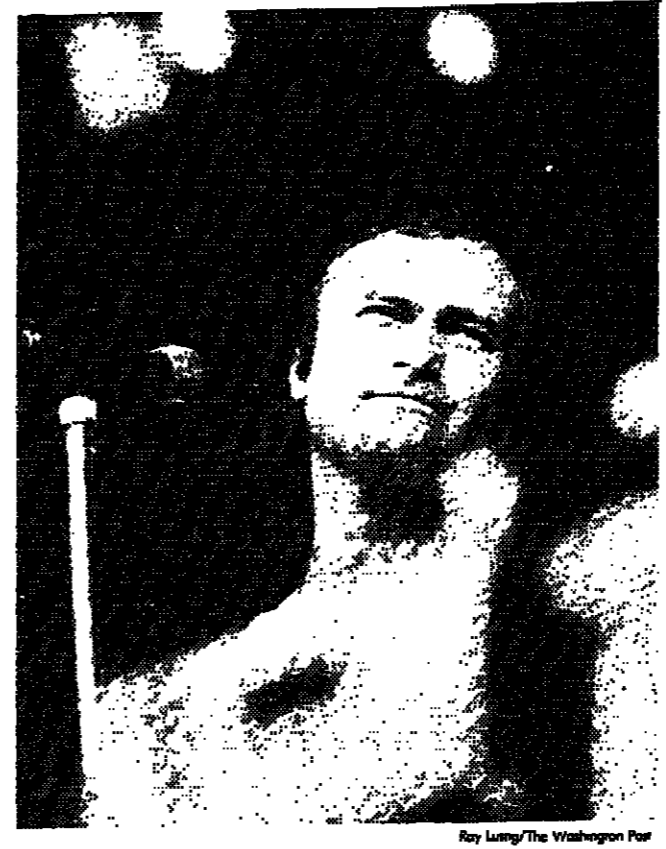
"Invisible Touch" has since produced more hit singles — "Throwing It All Away," "Land of Confusion," "Tonight, Tonight," "In Too Deep," and when you throw in Collins's own hits from his successful solo albums, his two No. 1 singles and album in the United States until "Invisible Touch" (still a Top 20 album almost a year after its release).

"I've been virtually unavoidable over the last year and a half. The albums have done incredibly well, but we've never had hit singles," said Collins. "We were never commercial enough to be Number 1; not enough people liked us to get us there."

Then suddenly the album and single are Number 1 at the same time and now we've had five top hits, with another coming up. And while Genesis is very much a collective, including the keyboard player Banks and the bassist-guitarist Rutherford (along with the guitarist Daryl Stuermer and the drummer Chester Thompson, who have been a part of "touring Genesis" for a decade), it's the short, jovial, bubbly, bouncy — dare we say schubby — Collins who has emerged as one of the biggest pop stars of the '80s.

He's a most unlikely candidate for mass adulation. "Come on, I'm 36 and I look like I'm 36. My

The Visible Touch of Phil Collins



Genesis's Collins: "Things started pouring out."

hairline goes back. I could do God losing a little bit of weight — God knows how I try — and yet there's these 16-year-old girls out there who see me as a sex symbol. It baffles me a little bit."

Those collecting Genesis clippings would note that Collins joined up in 1970 and made the transition to lead singer after Peter Gabriel's departure in 1975. Drumming has been a passion since he was 5. He was also a successful child actor in England, playing the Artful Dodger in the West End production of "Oliver!" until his voice broke. All that may explain Collins's natural showmanship and tendency toward storytelling; later this year, in fact, he'll portray the train robber Buster Edwards in a feature film, with Julie Walters playing the Missus.

Despite Collins's solo success (the "No Jacket Required" album has sold 6 million copies), and

Rutherford's more recent success with Mike and the Mechanics ("Silent Running" and "All I Need Is a Miracle" were both Top 10 hits), Genesis somehow has managed to maintain its own identity and energy. In concert, there are no bows to "outside" hits, and on the albums, the song-writing credits once again say "Genesis," reflecting the group's habit of writing collaboratively.

"We don't even think about bringing finished individual songs into the workshop," Collins says. "It was a collaborative thing in the early days, not because the songs were all written by the group members — though some of them were — but so individuals wouldn't push their own songs. In those early days, there was so little money around, we all had to have an equal share of it so we wouldn't starve. When Peter left, we decided to let people know exactly what was being written."

Collins says he is not a fan of his own music, but he does like some of it. "I like 'Invisible Touch' and 'Land of Confusion' and 'Tonight, Tonight' and 'In Too Deep' and when you throw in Collins's own hits from his successful solo albums, his two No. 1 singles and album in the United States until "Invisible Touch" (still a Top 20 album almost a year after its release).

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Real estate listings for various international locations including Paris, London, and other global cities. Includes sections for 'REAL ESTATE TO RENT/SHARE', 'GOLDEN TRIANGLE', and 'Embassy Service'.

International Business Message Center

A dense grid of international business opportunities, including sections for 'BUSINESS OPPORTUNITIES', 'BUSINESS SERVICES', 'OFFSHORE TAX SHELTER', 'RESTAURANT', 'WANTED CONNECTIONS', 'CAPITAL WANTED', 'FINANCIAL SERVICES', and 'YOUR OFFICE IN NEW YORK'.

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Local and international business announcements, including 'CONGRATULATIONS AND BIRTHDAY MESSAGE CENTER', 'ANNOUNCEMENTS', 'MOVING', 'PERSONALS', 'WINE & SPIRITS', and 'FOUR WINDS International'.

BUSINESS OPPORTUNITIES

A collection of local and international business opportunities, including sections for 'ATTENTION EXECUTIVES', 'INVESTMENT OPPORTUNITY', 'CME CLEARING BROKER', 'JERSEY CHANNEL ISLANDS', 'E 57 ST. HAIR SALON', 'HOTEL LE WARWICK', 'NVOCC', 'EXPORTING TO EUROPE', and 'ESTABLISHED TRADING CO'.

A collection of advertisements for various services and products, including 'HOTEL LE WARWICK', 'NVOCC', and 'EXPORTING TO EUROPE'.